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APRIL 1923 TO SEPTEMBER 1923

LONDON
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BATH, MELBOURNE, TORONTO, NEW YORK

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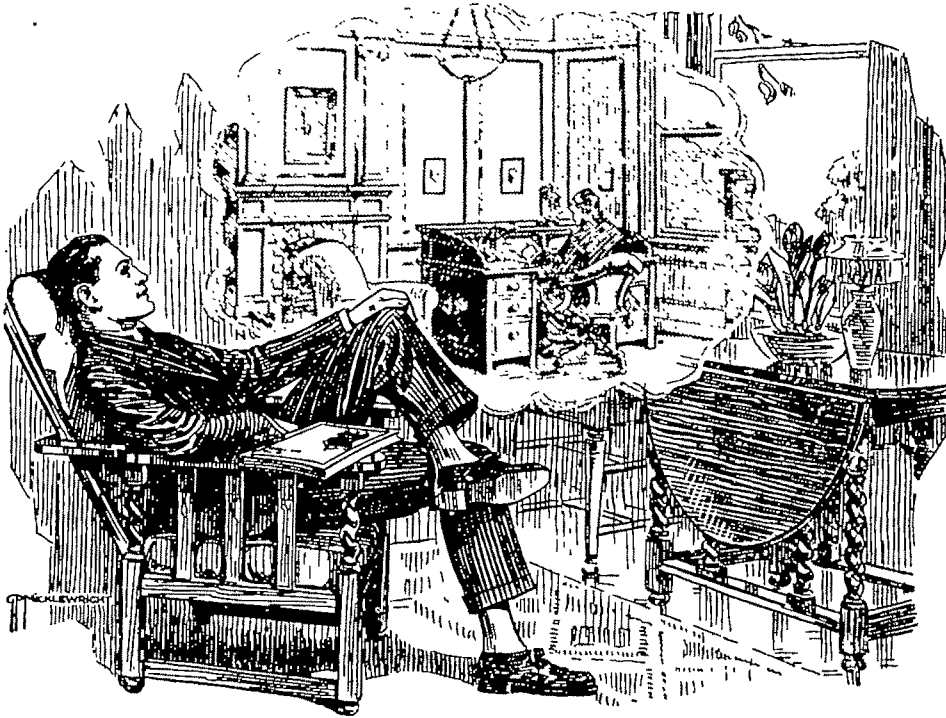
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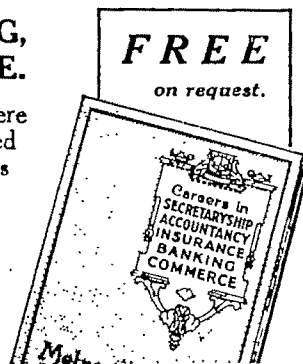
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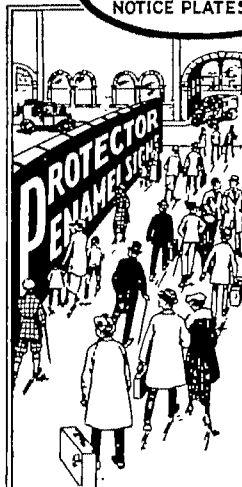
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Notes and News

Our New Volume

WITH the present issue we commence the eighth half-yearly volume of BUSINESS ORGANISATION, and the exceptionally strong list of contributors makes this a notable issue. We have no hesitation in calling the special attention of readers to the articles by Mr. Austin Hopkinson, M.P., and Mr. B. Seeborn Rowntree. During the past six months we have been favoured with contributions from many eminent public men, including the new Postmaster-General, Sir William Joynson-Hicks, Sir William Beveridge, Sir Lynden Macassey, Sir John Latta, Sir Charles Macara, and others, but none has been of greater interest than these. Both Mr. Hopkinson and Mr. Rowntree are significant figures in our public life. Both are men with a message and intensely in earnest. Both are inspired by high ideals, and though they differ in many things profoundly, they are as one in their record of service to the community.

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Contrasting Ideals

The head of the Delta Mining Machinery Works stands boldly in a democratic age for the renaissance of the principle of aristocracy, but his ideal of aristocracy is of the austere, most self-sacrificing kind. It is purged utterly of the grosser ambitions. Dean Inge will recognize in him a kindred spirit. There is a mystic quality in Mr. Hopkinson's philosophy. He calls employers to lead by virtue of their capacity for sacrifice. Industry is suffering to-day, he maintains, as much from the failure of direction on the part of employers as from the mishandling of the workers by Labour leaders. Far more democratic in spirit, the head of the Rowntree Cocoa Works has proved himself not less eager to serve his generation. He knows the poverty problem as few other men can claim to do, and has earned an international reputation for pioneer investigation of certain aspects of modern industrial conditions. The analysis which he contributes to these pages of the results of the recent inquiry made by a number of leading economists into the unemployment problem is both penetrating and constructive. It is doubly valuable as being written from the point of view of the successful business man and the practised investigator of social conditions.

* *

An Invitation

• We cordially invite our readers to second the efforts which we are making to induce leading thinkers in industry and in public life to ventilate their ideas in BUSINESS ORGANISATION. They can do a great deal by making these special features known amongst their friends and by recommending the magazine in the business circles which they frequent. So we may hope to grow in influence and prestige. We are indebted to the recommendations of appreciative readers for many new subscribers. This magazine exists to serve the interests of all who

sympathise with the idea that the study of business organisation directed to secure the maximum of national efficiency in production and distribution touches the political and social relationships of business men and workers alike at almost every vital point. It connotes something infinitely wider than preoccupation with whatever may be included in the mere machinery of business—labour-saving appliances, card index systems, loose leaf records, telephones, and the like. Such aids to business efficiency are important and cannot be neglected, but they are far from being the whole thing. In reality they are only important details, and over-emphasis upon them has brought the term "efficiency" into disrepute.

Business is a game to many, but it is *the game of life* for most people. If we are to make an organised game of business we cannot help but be profoundly concerned with the conditions under which it can be played by the greatest number to the best advantage.

* *

A Pioneer of Co-partnership

The death of Mr. Edward Owen Greening, at the ripe age of 86, removes one of the pioneers of industrial co-partnership, and a veteran who continued his ardent advocacy of the movement to the last. Mr. Greening, who was managing director of "One and All Seeds" was one of the founders of the Labour Co-partnership Association and, indeed, every form of co-operation met with his unstinted support. He was at one time associated in social work with Cobden, Bright, and Ruskin.

* *

Contributor's City Editorship

Mr. A. S. Wade, whose popular sketches of prominent business men have been so much appreciated by readers of this magazine, has been appointed City Editor of the *Daily News* and the *Star*, and will

take up the duties of his new position on 1st June next. This month Mr. Wade writes an attractive study of Sir Walter Runciman, Bart., the well-known ship-owner.

* *

Anglo-Russian Trade Movements

It is fairly well known that though there is as yet no full commercial recognition of Russia, a steadily increasing and now considerable volume of Russian trade is being carried on in this country by the various official agencies of the Soviet Government, and by British merchants, particularly in the North, who are prepared to face the undoubted risks of their enterprise. Diplomatic negotiation is a tortuous process, and if it be too long drawn out business men are apt to take it for granted. This is what is happening

gradually but surely in the case of Russia, and if the present rate of progress continues, probably the formal official recognition, when it comes, will hardly make the difference that might be imagined. Last year our exports to Russia totalled approximately £9,000,000, while imports amounted to nearly £5,000,000, or almost treble the trade volume for 1921. There are other straws upon the slow-moving current of Anglo-Russian trade which show its direction clearly enough, and one of these is Mr. E. F. Wise's resignation from the Board of Trade, where he held the position of

Acting Assistant Secretary, to become Economic Adviser to the Russian Union of Co-operative Societies. Mr. Wise has consistently advocated the full commercial recognition of Russia, and he has the courage of his convictions. He sacrifices a brilliant career in the Civil Service to further the interests which he has at heart, and those interests gain enormously by his accession. The Russian swing to the political Right is only beginning. It is one of the most encouraging factors of a sufficiently desperate European situation and, given only a continuance of peace, it is bound to have important reactions on Anglo-Russian trade. In these Mr. Wise will find abundant scope for his abilities.

* *

Research in British Industry

Public interest in the progress of

research in industry has been notably stimulated during the present month. First, Sir Alfred Yarrow's princely gift of £100,000 to the Royal Society for the promotion of scientific research revealed in the most striking way the signal importance attached to the subject by the head of a great shipbuilding firm. Next, the opening at Wembley of the palatial new research laboratories of the General Electric Co. drew attention to the part which research is expected to play in the tremendous all-round development of the electrical industry which is now proceeding. Finally, the annual meeting



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Press Portrait Bureau

MR. E. F. WISE

of the Association of Technical Institutions gave Dr. Levinstein, a leader in the British dye industry, the opportunity of emphasising the fact that research was not only a "necessary integral vital part of the business," but was also essential to the national security.

* *

Tapping the Nation's Brain-Power

In every case stress was laid upon the paramount necessity of utilising the enormous reserves of British brain-power to a greater extent than in the past. We cannot any longer afford to allow our most productive form of national capital to remain so largely undeveloped. It is not without significance that Sir Alfred Yarrow said of his gift, "I should prefer that the money be used to aid scientific workers by adequate payment, and by the supply of apparatus or other facilities, rather than to erect costly buildings." "Brains have been too much neglected in this country," declared Lord Robert Cecil at Wembley. "It has been thought they were confined to an intellectual aristocracy. A great source of wealth has been allowed to run to waste. We must use the resources in the brains of the people."

* *

Industry's Greatest Problem

All this is very true, but where does it lead us? The tendency in modern large-scale industry is to diminish the importance of the individual, to discourage initiative and the use of brain-power except in the case of a limited number of selected workers. This tendency is really a retrograde one, and should be resisted by every resource known to management science. That the man is greater than the machine must never be forgotten. "If people do not use their brains, they will soon have no brains to use," said Sir Joseph Thomson at Wembley; and the greatest problem in the management

of big industrial concerns is so to organise production and the corporate life of the works as to take full advantage of the brains as well as the hands of every member of the organisation. Much is being done in this direction by a comparatively few enlightened employers, but the majority of business organisations are content to waste talent, for want of encouragement, in a way which they would regard as criminal were it applied to the more concrete raw material of production. Not until it is realised that the scientific encouragement and development of individual capacity are likely to prove even more profitable than the development of mechanical capacity will industry and the community as a whole begin to reap the full benefit of British brains. No form of industrial research is likely to prove in the end more fruitful than this, which is the special province of the National Institute of Industrial Psychology.

* *

Empire Wireless: An Important Development

The Government's decision to issue licences for the erection of wireless stations in this country by private companies for communications with the Dominions, Colonies, and foreign countries is certain to lead to a very great development in long-distance wireless communication, and the Marconi Company, and Mr. Godfrey Isaacs, its managing director, in particular, are to be congratulated upon the happy outcome of their efforts. The decision follows upon the report of the Imperial Communications Committee, and brings to a close a tedious period of official obstruction which has handicapped the development of a world-wide wireless service for over a decade, since it is as long ago as 1910 that Mr. Isaacs first applied on behalf of his company for permission to erect high-power stations throughout the Empire.

Big Marconi Extensions

While, in Mr. Bonar Law's significant phrase, "it is not considered necessary any longer to exclude private enterprise from participating in wireless telegraphy within the Empire," the Government have decided that, in the interests of national security, there should be a wireless station, owned and operated by the State, capable of communicating with the Dominions. Such a station will therefore be erected as early as possible, and will be available for commercial traffic as well as for Service messages. Few will be inclined to question the wisdom of this decision, but why it should have been so long delayed is harder to understand. Possibly the opposition of the powerful cable companies may explain it. Now that the question of policy has been settled it is to be hoped that no more departmental obstruction will be suffered to interfere with the immediate granting of the licences, so that the Marconi Company may be able to go forward with the large extensions which they contemplate with the utmost dispatch. Mr. Isaacs states that these will involve the erection of five high-power stations in this country at a cost of about £2,000,000, to conduct telegraph services with the whole of the Empire, and with South America, China, and Japan, while smaller low-power stations will be built to conduct such services with other European capitals as are now in daily operation between

Paris and London. That the commercial use of wireless will be enormously stimulated by these developments is certain.

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The Business Man's Attitude to the Civil Service

The tremendous growth in the personnel of the public service during the war, together with the notorious extravagance practised by Government departments under the Coalition, gave rise to a good deal of undeserved condemnation of the Civil Service as a profession. With some business men the gentle art of baiting the public servant on any and every occasion became almost an obsession. Civil servants as a class were contemptuously referred to as parasites battenning on the community at large, with other choice expressions indicative of that



Portrait

Elliott & Fry

MR. GODFREY ISAACS

deep feeling of resentment at Government extravagance which was eventually to smash the Coalition altogether. All this is happily of the past, and these hyperbolic attacks, which were so wide of the mark, now merely excite a smile, though at the time they proved exceedingly irritating to the unfortunate individuals who had to grin and bear them in silence.

* *

Public and Business Administration

There are, nevertheless, fundamental differences between the attitude of the business man and that of the Civil

Servant towards their respective duties, and mutual respect for each other's point of view can only grow out of a better mutual understanding than exists at the present time. A sensible advance in this direction has been made by Sir Josiah Stamp, himself a former distinguished Civil Servant, and now Secretary of the Nobel Industries, Ltd. He recently discussed "The Contrast between the Administration of Business and Public Affairs," in a lecture at the London School of Economics under the auspices of the Society of Civil Servants, and suggested that the day for mutual reviling had gone by.

Sir Josiah serves on the council of both the Institute of Public Administration (an organisation of Civil Servants) and the Institute of Industrial Administration. The object of each, he said, was to study and classify the body of facts available, and he doubted whether there was any science of business administration. There was in the Institute of Industrial Administration an avowed desire to study the facts relating to business administration and lift them from the rule of thumb methods of the past into an ordered body of knowledge, and he suggested that neither side had any ground on which to criticise the other.

* *

Some Radical Differences

The principle of consistency underlay the administration of Acts of Parliament; for instance, penalties for infringements of laws had to be consistent for all people at all times, and in all parts of the country. A business man was free from such

restrictions. A margarine manufacturer, for example, did not have to sell his product at the same price or of the same quality year after year. The matter of overlapping provided another distinction. If two Government departments tackled the same matter they soon heard about it, but if a business man found he was treading on some one's corns he could please himself whether he withdrew. Another difference was found in the principle of external financial control. Treasury control had a cramping influence upon Government departments which was not experienced in business. Yet another distinction was in the matter of "marginal return." A business pushed its expenditure along a particular line as far as it was profitable to do so, but that principle was not adopted by public authorities. The Post Office, for instance, could not be worked on that system. "Marginal return" was the principle of business, but could never be the basis of public administration. These and other vital differences between the principles governing the conduct of business and public administration were ably emphasised by the lecturer, who pleaded for the cultivation of a more tolerant spirit on both sides.

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Incorporated Accountants

The 1923 Year Book of the Society of Incorporated Accountants and Auditors contains the names of 3,597 members, of whom 2,885 are in England and Wales, 114 in Scotland, 90 in Ireland, and 508 resident abroad. There are branches of the Society in Scotland, Ireland, Australia, South Africa, and Canada.



The Future of Industry

By AUSTIN HOPKINSON, M.P.

A New Aristocracy for Employers

There is no more remarkable personality in our industrial and political life than the writer of this article. By the lofty idealism and the amazing frankness of his Parliamentary utterances he has stirred the House of Commons to its depths. A provocative critic of Labour, and an implacable foe of Socialism in all its forms, he yet commands the respect and admiration of the workers for his allegiance to principle. Here he writes eloquently of the faith that is in him, and proclaims a new form of aristocracy for employers—leadership through the way of personal sacrifice.

TO the superficial observer there is but little encouragement in the present aspect of industry in this country. But, as I believe, there are underlying forces in action which may well achieve better conditions within the next few years. Our present experience is bitter but men learn, alas, only by misfortune; and these hard times have undoubtedly taught us much. If modern industry is to be conducted successfully and amicably, two conditions must obtain. First, there

must be strong trade unions which, by the use of the collective capital of the wage-earners, enable the latter to enjoy a freedom of bargain with employers which otherwise they could only gain by accumulating individual capital—a task apparently beyond the power of the majority in these days of tempting amusements.



Photo

Elliott & Fry

MR. AUSTIN HOPKINSON, M.P.

and beverages. Secondly, we must foster a tendency which already exists toward aristocracy in industry. There must be gradually developed among those of us who have the power to become rich, as organisers and directors of industry, an appreciation of the fact that our power itself lays upon us the duty of becoming aristocrats—of sacrificing our own selfish desires for the welfare of the masses.

The Outlook for Trade Unionism

Now, with regard to the first requirement, it might seem that trade unionism is at a very low ebb. One after another the great federations have thrown themselves into pitiful and disastrous battles against economic law, ending in shattering and inevitable defeat. And the only gain from these battles is the knowledge that there is no such

thing as the "solidarity of labour," since the gain of the workers in one industry is the loss of the workers in other industries. The Miners' Federation and the National Union of Railwaymen have proved this up to the hilt. Unsuccessful strife has depleted the funds of the unions, and their members have been leaving them by tens of thousands. Yet for my part I believe that the outlook for trade unionism is brighter now than it has ever been since first the leaders of labour, poisoned by the crazy wickedness of Marx, adopted the fatal course of political action. For many trade unionists, and indeed most of the real enthusiasts, have realised by the humiliating experience of the past two years, the utter folly of a policy which aims at getting more out of industry than industry produces, and of consuming not only the whole of each harvest, but even the accumulated reserves of seed-corn which are called "capital." For that is the whole foundation of Labour Party policy. The reformers realise also the weakness of great battalions of conscripts, of trade unions recruited by intimidation, by cruelty, and by injustice of every kind. And they are utterly disgusted with the financial laxity, and worse, which has crept into the unions since labour leaders began to regard them merely as a means to satisfy their greed and ambition. The reform movement in the unions is spreading, and may well build up organisations which, by becoming real trade unions instead of collecting societies for the benefit of useless and selfish politicians, will increase continually the freedom and the prosperity of the wage-earners.

Ideals of Industrial Aristocracy

And with regard to the employers of labour, I am yet more hopeful. For great riches have lost their glamour. To have become rich in industry during the war is a shame so deep that even wealth,

honourably acquired before, seems but a poor thing. To have suffered in the war in mind, body, and estate, is recognised by many of my generation to be the only solid basis of happiness and the only real patent of nobility. It is now our duty and our privilege to teach the youngsters, who will be the captains of industry of the future, that they need not think that to be an employer of labour means merely to become excessively rich, fat, and stupid; but rather to become the leader of a willing team competing for a prize, not of yellow counters, but of service to their country, and playing the game for the sake of the game. Thus, it may be, we shall be able to bring into industry the best of the rising generation, and to found a true aristocracy of men who are fit to rule because they are obeyed willingly. This is the one thing needful; for at present in industry, as in politics, we are suffering because we have no leaders—real leaders who will strive always to save their followers from the troubles which two generations of wallowing in the fallacies of Socialism must inevitably bring upon the workers for some time to come. We have no leaders who are true leaders, seeking ever the heaviest burden and the least reward, who do what their manhood bids them do and from none but self accept applause, making for themselves, and obeying, a code far more stringent than that which is severe enough for the rank and file. This lack of leaders is the direct cause of much of our present discontent. For Englishmen find it an irksome task to give obedience to those whom they know to be no better than themselves.

The Law of Progress

The vast majority of men do not desire to lead. They wish to live ordinary, sensible, human lives in a fair degree of

comfort and security, to marry the girl of their choice, and in due course to see their children and their children's children around them. But for a few this is not enough. When the caravan has halted and in the gloom the red fires glow between the long black tents; when the weary camels stray browsing among the scattered bushes; when the cries and laughter of children at play rise through the thin blue pall of smoke; then indeed there is no time of rest for them. Whether the hand of Allah guide them, or evil djinn deceive them, who can tell? But they must ever seek to find what is beyond the next ridge, must ever press forward as pioneers, perhaps only to leave their bones bleaching on the trackless sand, and to become rather a warning to the timid than an inspiration to the brave. Yet thus, and thus only, does progress come. For the well-being of the many can be secured only by the self-sacrifice of the few. This is the reason why all forms of Socialism, all devices for creating an artificial equality among men, produce inevitably at the best stagnation, and at the worst rapid retrogression toward the beast.

A Challenge to Directors of Industry

Let us face the unpleasant fact that

there is hatred and discontent in industry, not because the workers have been led by their officials into a course of almost incredible folly—though thither undoubtedly they have been led—but because we who direct industry have failed to do our duty. The unwritten law of the old regular Army was that, if the men failed, the officer was to blame; and, as I believe, until this becomes the law in industry also, there can be no true progress and no real contentment. The trouble at present is that Jack is as good as his master, because his master is no better than Jack. The worker strives to take as much as possible and to give as little as possible. The same motives rule the employer. Just as organised labour has in Parliament paid agents, whose sole function is to endeavour by one mean device or another to rob the community for the advantage of a section, so also organised capital supports a political scum of the same sort. Every dirty, cruel, and dishonest trick of the trade unions has its counterpart in the combinations of employers.

Yet for my part I look to the future with hope. Our generation has not produced a single great man. Surely, then, the next cannot be equally barren?



Likes and Dislikes in Business

THERE is altogether too much reliance on good feeling in our business organisations. People have too great a fondness for working with the people they like. In the end it spoils a good many valuable qualities.

Do not misunderstand me when I use the term "good feeling." I mean that habit of making one's personal likes and dislikes the sole standard of judgment.

Suppose you do not like a man. Is that anything against him? It may be something against you.

What have your likes and dislikes to do with the facts? Every man of common sense knows that there are men whom he dislikes who are really more capable than he is himself. . . .

It is not necessary for the employer to love the employee; or for the employee to love the employer. What is necessary is that each should try to do justice to the other, according to his deserts.

That is real democracy.

HENRY FORD,

In his *Autobiography*

Industrial Assurance

The Government's Bill Analysed

By J. J. BISGOOD, B.A., F.C.I.S.
Editor, "The Insurance Record"

THE Government have introduced the long promised Industrial Insurance Bill into the House of Lords. It differs entirely from the Bill brought in in 1921 which aroused such intense opposition on the part of the Insurance Companies. Readers will remember that a committee sat to inquire into the practice of industrial insurance and a report was made that many abuses had been brought to their attention and that in some cases undue profits had been taken. There was a general feeling that the committee had not given sufficient attention to the difficulties of conducting vast enterprises of this sort and, when Lord Onslow in 1921 introduced a Bill for the purpose of amending the law on the subject, it was found that the Government proposals were rather of a penal nature than a genuine attempt at suppressing any grievances that might have been discovered. There was an active opposition up and down the country, and the very powerful body of agents who act on behalf of the companies concerned very soon made it clear by their indignation at the nature of the proposals made, that they would bring every influence to bear on their Parliamentary representatives to oppose the Bill.

Probable Effect of the Measure

Lengthy negotiations followed between representatives of the Insurance Companies and the Home Office, in whose charge the Bill had been left. We cannot assume that even the amended measure is entirely satisfactory to these gentlemen, but the spirit of hostility

to the institution of industrial insurance has disappeared and, subject to amendment, which ought not to be difficult, the effect of the new Bill would be to put an end to practically all the grievances brought before the departmental committee. It is a long Bill with forty-five clauses and five schedules. Industrial insurance is defined as "the business of effecting assurance upon human lives, premiums in respect of which are received by means of collectors," but collectors may still deal with assurance where premiums are payable at intervals of two months or more, as such assurances do not come under the "industrial" definition. Assurances effected before the passing of the new Bill with not less than monthly premiums, which have been treated hitherto as ordinary business, and assurances for £25 and upwards payable at intervals of a month or more, which have hitherto been dealt with by the ordinary branch of the industrial company may also be dealt with on a collecting basis.

Administration : The Industrial Assurance Commissioner

The new law is to be administered by the Chief Registrar of Friendly Societies, who is to be called the Industrial Assurance Commissioner. Every company or collecting society is to deposit £20,000 with the Board of Trade, otherwise the commissioner may dissolve a collecting society as in default and wind up its affairs. But it is clearly intended that small collecting societies may combine for the purpose of paying a single deposit, and where there

is a Friendly Collecting Society with branches, the deposit paid by the central body will be sufficient. A curious provision permits the commissioner to exempt from the provisions of the Act a society which does not employ collectors at a greater distance than 10 miles from its registered office. If such an exemption is given, the society excepted has to undertake that it will not so employ collectors, and the commissioner may at any time, revoke the licence without appeal. He may also refuse to issue a warrant for the acceptance of the deposit of the £20,000, if he considers it inexpedient to authorise the company concerned to carry on industrial insurance business, and he is entitled to be heard by the Court on any suggestion of amalgamation or transfer of business.

The provisions of the Assurance Companies Act, 1909, are in future to be applied as far as possible, subject to necessary modifications, to industrial assurance business, which means that any company transacting it must treat it as a separate class of business and make a separate deposit. In cases of transfer the independent actuary referred to in the Act of 1909 must make his report to the commissioner on the fairness of the proposed transfer. Careful provision is made for dealing with accounts, returns, valuations and meetings, and the Commissioner may accept or reject any account, return, or balance sheet sent him and give directions for such alterations therein as will make it a correct account. He may order an inspection of the industrial company or society if he believes that an offence has been committed against the new Act, or against the Friendly Societies Act of 1896, or the Assurance Companies Act. The valuations have to be made by a professional actuary, that is to say a member of the Institute of Actuaries in London, or the Faculty of Actuaries in Scotland.

A Contentious Proposal

A provision, as to which there is sure to be some conflict, is that the commissioner may, if he finds a deficiency, order the society or company to be dissolved, subject of course to the sanction of the Court of Chancery. The liquidation of one of these companies is such a terrible matter for all concerned, that the Commissioner needs in every case to go to the Court for sanction for his action. It was said before the departmental committee that persons were very often deceived by agents both with regard to what is called insurable interest and with regard to the powers of proposal. Clause 19 of the new Bill defines exactly what may be done in the way of insuring relatives, such as children or parents, where it was alleged that some abuses prevailed in the existing practice. In future the proposal forms are to comply with this Clause 19, and where the collecting agent himself fills in the proposal form, the company shall not be entitled to question the policy on the ground of misstatement in the form unless it can prove fraud. However, where there is a misstatement as to the age, the policy must be adjusted to correspond with the terms as if the correct age had been stated, and if there is a doubt about the state of health declared in the proposal form on which the policy is issued, then the company may raise the question within two years from the date of issue but not after.

Some of the Grievances

A number of the provisions of the new Bill, when passed, will have to be printed on the policy itself so that the insured persons may know exactly what their rights and duties are. A curious point was raised before the committee that collectors had the habit of taking premium receipt books from the insured for

purposes of valuation or for other reasons and retaining them too long a time. In future every such book will have to be returned within twenty-one days. This is an excellent example of the kind of grievance which the departmental committee laid such stress upon, and it certainly only happens very seldom that such a delay occurs. However, it is now made the subject of legislation. Provision is made for the issue of free paid up policies in the event of surrender, and transferring from one society to another is carefully safeguarded. The protection afforded to policy holders by the Court (Emergency Powers Act of 1914) whereby policies could be kept going even if the premiums were not paid, subject of course to the company being entitled to deduct them in the event of the policy becoming a claim, disappears nine months after the passing of the Bill.

Another ridiculous grievance laid before the committee was that of persons who had contracted policies to be paid to them not in cash but in War Bonds at the date of maturity or in the event of previous death. When the committee was sitting, Government securities were badly depressed and certain persons who had entered into this contract with their eyes wide open, and largely for patriotic reasons, looked upon it as a grievance that they should have to run the risk of the fall in Stock Exchange values. However, now that Government securities, especially these particular bonds, are at a substantial premium, that grievance disappears automatically.

Hard on the Collectors

Much was said at the inquiry with regard to the behaviour of the collectors and the enormous powers which they exercised in the collecting societies. After the passing of the Bill, no collector may

be a member of the Committee of Management or of the Board of Directors or hold any office except that of superintending collector within a specified area. He may not even be present at any meeting of the society or company, and no company may procure any person to enter into industrial insurance unless he is in its regular employment, and no person not in regular employment shall procure, or endeavour to procure, any person to insure.

There is sure to be some controversy about this clause of the Bill. There may be here and there, collectors who have been guilty of sharp practice, but that is not sufficient reason to put every collector, no matter how deeply he may be interested in the affairs of his company, outside the door when a meeting of the company or society is being held. Probably some formula will be found to clear up this point. Certain penalties are provided for the breach of any of the provisions of the Act, but as far as we can judge the Bill creates no new offences and makes no provisions which are unreasonable. That was one of the greatest objections of the Bill of 1921, whose penalties were Draconian and were founded on the belief that everybody connected with an industrial society had in him the makings of a rogue.

There is no doubt that the passing of this Bill, with proper amendment, will put the industry of industrial assurance on a clean footing and will enable it to advance even more rapidly than it has done in the past. But Parliament must remember in this matter, that the interests of the millions of policy holders are the first consideration of the companies, and anything which will injure their position by weakening the authority of the companies to do good, straightforward work would be very injurious to the community.

Business Losses and Falling Profits and Income Tax

By G. O. PARSONS
Incorporated Accountant

Inquiries which reach us from readers show that there is a good deal of misapprehension among business men as to the possibilities of securing relief from Income Tax in respect of diminishing profits. This short article by an Income Tax expert of very great experience clearly explains what constitutes a "specific cause" and when claims can be preferred.

FOR Income Tax purposes, Trading Losses and the Falling Off of Business Profits are separate questions; yet, probably as a result of the temporary re-enactment for the period of the war, of Section 133 of the Income Tax Act, 1842, there appears to be a widespread idea that these two questions are intermingled, and that the assessments made for the current fiscal year (1922-23) can be revised or modified, because of the present industrial depression, by reference to the falling off of Profit during the last business year ended, say, on the 31st December, 1922; but this is not so.

Profit Movement not a "Specific Cause"

Beyond the special concessions to farmers and the reliefs allowed to traders in cases where the actual profits on trading for any fiscal year have fallen short of the assessment made for that year, by reason of some "specific cause," there does not now exist any other annual relief in respect of diminishing profits. Just as the upward movement of profit gives no right to the Revenue Authorities to seek to obtain additional assessments or to modify a previously agreed average, so, likewise, a downward movement of profit in connection with commercial operations does not, *per se*, constitute a specific cause for adjustment of an average previously agreed with the Revenue Authorities.

Changed Conditions

While Section 43 of the Income Tax Act, 1918, remained operative, it was not often to the taxpayer's advantage to claim the benefit of Section 34, because, while Section 43 granted a certain measure of relief in respect of diminishing profits, either for the actual year or on a new average (whichever gave the lesser measure of relief) regardless of the causes which gave rise to the losses or the diminishing profits, that Section did not require the taxpayer to eliminate from the three years' average the benefits resulting from his claim as does Section 34. By the final repeal of Section 43 as from the 6th April, 1920, however, Section 34 again becomes of great importance.

When a Claim can be Preferred

It must be borne in mind that Section 34 deals only with an actual trading loss arising during the year of assessment. Thus, assuming the assessment for the fiscal year 1922-23 to be upon an average of £6,000 and the adjusted loss for the business year ended 31st December, 1922, to be £1,000, the assessment upon £6,000 at 5s. in the £ for 1922-23 will still stand, but a claim can be preferred under Section 34 for repayment of £250, namely, 5s. in the £ on the said £1,000 of loss (the Revenue Authorities accepting the loss for the business year ended 31st December, 1922, as the equivalent result of the fiscal year ending 5th April, 1923).

Effect of the Claim : A Useful Motto

Assuming the above-mentioned repayment claim of tax upon £1,000 to be made and admitted, this will necessitate an amendment of the average computation for the year 1923-24, increasing it by £333 (one-third of £1,000) because, as a result of the claim, the loss of £1,000, which was presumably deducted when provisionally computing the average for the coming year 1923-24, cannot now be brought into account. The immediate gain, however, assuming the tax to remain constant at 5s. in the £ for the next three years, is the value of the present use of the money recovered. If the tax were to remain constant at 5s. and no claim for repayment made, the loss would continue to be allowed as a deduction in computing future averages, and in this way the loss would eventually be recovered. Apart from the value of the present use of the money, there is the fact that our Income Tax laws are not stable in their scope or incidence, as distinct from rates. We do not know what the next Finance Act may enact, and because of that lack of stability, one's motto in taxation matters should always be: "Get in a claim whenever you see an opening."

Claims in Respect of Previous Years

What has been written above in regard to a loss for the business year 1922, and the consequent claim in respect of the fiscal year 1922-23, would, of course, apply to previous business and fiscal years; but with the possible exception of the business year 1921 and fiscal year 1921-22, the other preceding years are now out of the time limit of such claims. The immediate gain resulting from a claim for the fiscal year 1921-22 on a loss for 1921 would obviously be greater than that for 1922-23, because in the former case, in addition to the value of the use of the money, there is the difference of 1s. in the £ on the reduction of the rate

from 6s. to 5s. That is to say, by taking the loss out of the average, the tax recovery thereon is at the 6s. rate, whereas the average adjustment would, at least for one year, give relief at 5s. only. The following years might be the same or less; they might even be more, although such a calamity is not expected.

Example of Claim under Section 34

As an example, to explain the effect of Section 34 of the Income Tax Act of 1918 and to illustrate what has been written above, assume the following—

Year ended 31st Dec., 1919.	Profit .	£ 6,500
" " 1920.	" .	6,000
" " 1921.	" .	5,500
		3)18,000
= Sch. D average for fiscal year 1922-23		£6,000

Assume the result of the business year 1922 to show a loss of £1,000, and say the average for 1923-24 has been provisionally computed as under—

Year ended 31st Dec., 1920.	Profit .	£ 6,000
" " 1921.	" .	5,500
		11,500
Deduct Year ended 31st Dec., 1922.	Loss	1,000
		3)10,500
= Provisional Sch. D average for fiscal year 1923-24		£3,500

As the result of trading for the year ended 31st December, 1922, has been an actual loss—not merely a falling away of profit—the right exists to prefer a claim under the said Section 34 for repayment of tax upon that loss, or of so much of it as is covered by the assessment for the appropriate fiscal year. In this example, however, the loss of £1,000 is more than covered by the assessment on £6,000, and why 1922-23 is the appropriate fiscal year is explained below.

In respect of a trading year ended 31st December, 1922, the appropriate fiscal year is obviously the year ending 5th April, 1923, for, as already mentioned,

the authorities will accept the results of trading for a business year, ended 31st December (not necessarily limited to 31st December for even earlier or later dates within the fiscal year may be agreed), as equivalent to the results for a fiscal year ending on the following 5th April.

It has already been stated that, notwithstanding the above-mentioned claim for 1922-23, the original assessment on £6,000 for 1922-23 will still stand; the reason being that the assessment on £6,000 has been based on the average of the three years ended 31st December, 1921, and consequently it is not until the business year ended 31st December, 1922, comes into average, which it does not do until the following fiscal year, namely, 1923-24, that the effects of the claim can be regularised, and this adjustment works out as under—

Revision of provisional Sch. D average 1923-24—

Year ended 31st Dec., 1920.	Profit .	£ 6,000
" " 1921.	" .	5,500
" " 1922.	Loss	nil
	allowed	
		<u>3)11,500</u>
= Revised Sch. D average 1923-24 .		<u>£3,833</u>

or £333 more than the original computation.

Another Illustration

Suppose the result of the business year 1922 to have been a loss of £9,000, then a claim under Section 34 can be preferred for repayment of tax at 6s. in the £ on £6,000 only, because £6,000 is the full extent of the assessment for 1922-23, and this would leave £3,000 of the loss to be carried forward in the revised average for 1923-24 (consequent on the claim) as under—

Year ended 31st Dec., 1920.	Profit .	£ 6,000
" " 1921.	" .	5,500
		<u>11,500</u>
<i>Deduct.</i>		
Year ended 31st Dec., 1922.		£
Loss		9,000
Loss reclaimed under Sec. 34		<u>6,000</u>
		3,000
		<u>3)8,500</u>
= Revised Sch. D average 1923-24 .		<u>£2,833</u>

If no claim were made, the average would be £833, namely £11,500 - £9,000 ÷ 3.

□ □ □

Successful Shopfitting

DIRECTORS and staff of the associated companies of Messrs. Stanley Jones & Co., Ltd., and the Brilliant Sign Co. (1907), Ltd., were in cheerful vein at the recent annual staff dinner, held at Frascati's, and encouraging reports of business progress were received. The governing director, Mr. F. G. Lucas, presided, supported by Messrs. W. D. Lambert and A. H. Trangmar, co-directors. The chairman said that 1922 was a record

year for Stanley Jones & Co., and that as far as the Brilliant Sign section was concerned, the turnover was many thousands of pounds in excess of the company's best year (1920). He gave many statistics as to the progressive nature of the companies' trading—the shopfitting section has been particularly successful since its re-organisation—and congratulated the staff upon their loyalty and efficiency.

Who's Who in Business

Sir Walter Runciman, Bart.

By ARTHUR S. WADE

Some of the finest traditional characteristics of the British race are exemplified in the great shipowner depicted in this attractive sketch.

I DON'T know exactly where to begin this sketch; the subject of it invites approach in so many ways. Millionaire, shipowner, politician, a truly self-made man, a writer with a gift of racy expression, an old salt who still at seventy-five years of age loves to sing sea chanties—he is all these. How does one, in such a case, select just that open door amongst so many through which it is best to pass? Perhaps we shall seize his portrait most exactly by beginning at the beginning. Sir Walter was born at Dunbar in 1847, and on both sides of his ancestry there were people who had been concerned with ships and shipping. He had splendid family traditions to help and inspire him. His grandfather fought at the Nile and Trafalgar, and he must have bequeathed a rich endowment of the combative spirit to judge by his grandson's love of fighting things out.

A Sea Captain at Twenty-two

The Young Runciman had to make his own career, and at twenty-two he was captain of a clipper in the merchant service. It is the sort of post which seems ideally suited to him as one imagines him to have been at that time. To-day his figure is strong and sturdy, and one can picture its agility and vigour in those early days. Apparently his mind, too, in his sea-going days had that quality of robustness and definiteness which it exhibits in public affairs to-day. He was a Radical of the Radicals. One story of his sea-captain days tells that he had on board some Russian and Turkish

prisoners of war who were being exchanged. Captain Runciman, it is said, was then very much taken up with the doctrines of Mazzini and displayed the greatest interest in the views of some of the advanced men among the Russian captives. The story has its moral; for Sir Walter Runciman to-day is true to that central teaching of Mazzini that what a man has to consider most in relation to the community is not his own rights, or the rights of a class, but his duty to the society of which he forms a part.

Shipowner and Public Servant

Time came when Walter Runciman was called on to take a part in the administration of ships, and here he promptly showed that the sea legs of his intelligence were as sound and dependable as the sturdy limbs with which he had walked the deck. He knew everything there was to know about the running of ships, about the conditions under which the men worked, how they could be trained, how they could be kept happy at their tasks, how ships could be made to pay; and his success was so rapid and splendid as to open the wondering eyes of the people on the north-east coast. One need not go over it step by step. The building up of the great fleet of cargo ships which he still controls—the Moor Line—has been as much talked about as was the price at which it was reported to have been sold within recent times. Side by side with his business activities, Sir Walter has kept contact with useful public work. He helped very effectively

in the war, in which period he was all the more valuable because he was a critic who could not be fobbed off or silenced by weak excuses. He has been president of the Chamber of Shipping, a Member of Parliament, and has served the country in a variety of advisory and executive positions.

But, for my own part, I hardly think that the business side of his career is of absorbing interest. Many men have risen from greater need than he ever knew to an equal affluence, and some of them have not been at all interesting at the end of their achievements. Sir Walter's chief claim to the notice of his contemporaries is deeper than success; it lies in the extraordinarily rich personality with which he astonishes, annoys, or delights those who

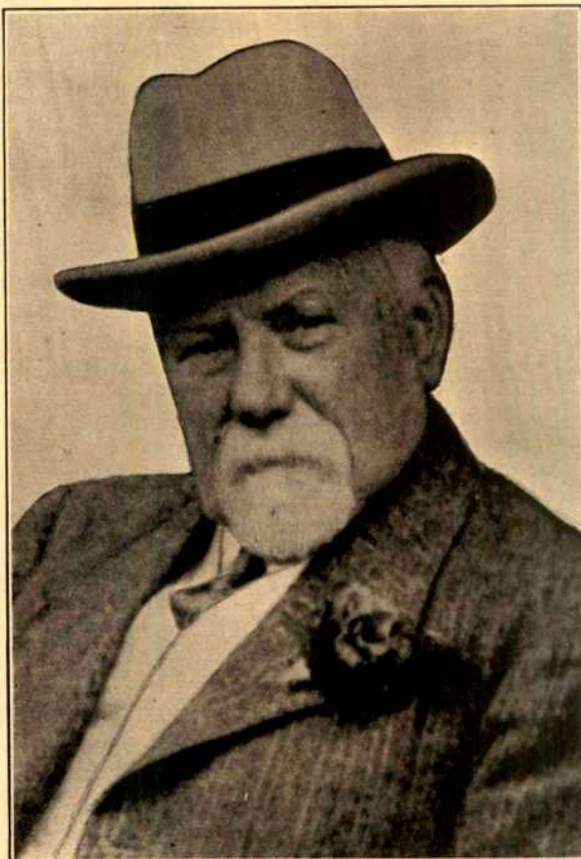
watch his doings or read his speeches or writings. Not long ago all the papers reported that he had sung a sea chantey at a meeting in London of the Northumberland and Durham Association! It was great "copy" for the newspapers, and the reason it was good and entertaining news was that it was a fine fresh thing for a millionaire shipowner of seventy-five to do. If a man's spirits refuse to wear a top-hat and frock coat,

is he not therefore quite wise to put them in suitable dress, whether it be a sailor's rough and ready garments or even the motley of the jester? I cannot help liking the man who can let himself go, and I think millionaires would be a much more entertaining class of men if they did it more often.

After all, many of them don't mind doing their bodies up in plus fours; why should they not occasionally put their minds or their emotions in a slightly less amusing dress than that costume?

The chantey curiously befits Sir Walter, for it expresses, as he regards it, joy in the work that the hand finds to do. He sees a very sound philosophy at the back of it; and as one who ran away to sea when he was a boy of twelve, he ought to know. One of

the first essentials in those days, he told an interviewer, was to have a good chantey man aboard. "A good chantey ship meant that she had a first-class crew: even when she'd sprung a leak they would take up the chantey and work with a will while singing." What a fascinating idea to apply to industry, perhaps not always in the way of singing at work but in having some common expression of emotion that will



Photo

Photographic Press Agency

SIR WALTER RUNCIMAN, BART.

lighten the task while the back is bent to perform it! The war taught how helpful, in stress and turmoil, was the joyful noise, and we have always known that it is the merry heart that goes all the way.

No "Richard Yea and Nay"

Exuberance, the quality one so seldom meets in this pessimistic post-war era, is precious wherever one finds it. Sometimes it is slightly amusing, as it is in the very downright style Sir Walter uses when dealing with political subjects. He suffers no "ifs" and "buts," no delicate shading of meaning by qualification and parenthesis, as does the born politician. What he says, he says "without peradventure." "Chamberlain's piteous cry about the Capital Levy is indicative of political jaundice. Who can inflict a more ruthless capital levy than they are doing by their crushing taxes? Any alternative would be better than their chaotic mockery of government." That was part of one of his messages about the last administration. Even better examples of his forthright style could be culled from his political utterances. They smack of the plain, intelligible speech of

the captain's bridge rather than of the tortuous, non-committal tones of the political platform. But are they any the worse for that?

The Human Touch

As every one knows, Sir Walter is the father of Mr. Walter Runciman, whose brilliant gifts are still needed in Parliament, and it is said that when father and son were both members of the House, the elder never missed a speech by his heir. That is one more touch of his essentially human character to endear him to the public. Whether it be pride, prejudice, sense or sentiment, he shows the world frankly and unashamedly what he feels and thinks, and I think all we ordinary men like a man who does that all the better for his doing it. With one other story of him, I must finish. I think it was Mr. T. P. O'Connor who recently wrote that Sir Walter once spoke to him of the last vessel which he commanded, and confessed that he often walked its deck still as it lay in harbour. I like that picture. I wonder, does he hum over to himself at these times the old chanties which remain so fragrant in his memory?



Cotton Firms Amalgamate

SINCE 1890 the businesses of Henry Bannerman & Sons, Ltd., and the Bannerman Mills Co., Ltd., although under the same management, have been carried on as separate concerns. Now, for family reasons, and with a view to concentration of control, these private companies are being amalgamated under the style of Henry Bannerman & Sons, Ltd., who will also take over the Bradford Road Manufacturing Co., Ltd.

In conformity with the law's requirements the latter and the Bannerman Mills Co., Ltd., will be voluntarily wound up, the businesses being taken over *in toto* by Henry Bannerman & Sons, Ltd.

No change in management will be involved, Sir Charles W. Macara, Bart., retaining his positions as chairman and managing director.

Making the Order Form Work Harder

By MAX RITTENBERG

The preparing of an Order Form is often a very perfunctory affair. It should not be. The right kind of Order Form may be a vital unit in a postal selling campaign.

HOW much does it cost to write a "special letter"?

Few firms have a clear idea of the cost, or have ever attempted a detailed analysis. Answers would probably range from "about 3d." to "about 9d."

But those firms who have made this detailed analysis—reckoning the time of the executive who dictates the letter; his secretary's time; letterpaper, envelope and stamp; incidentals, such as carbon paper, typewriter ribbons, notebooks, pencils, and spoilages, depreciation of typewriters, and general office overhead, have arrived at a much higher figure. The figures range from 9d. to 1s. 6d.

Therefore, a business which has to figure on close prices and small profits must try to eliminate as far as possible the answering of customers' letters specially and individually. What every business man wants is plain, straightforward orders—orders which can be filled by routine, and need as answer only an invoice or a formal printed statement of thanks for the order, something which can be slipped into the parcel by routine.

Now, the stirring up of unnecessary correspondence is often caused by a bad type of order form. If, on a direct selling campaign, the proportion of customers' letters to plain orders is more than 1-in-10, there must be something radically wrong either with the selling plan, or its presentation, or with the order form.

A really good order form embodies all the following points—

1. *Makes it easy for the customer to order, by putting into print the general nature of everything which he (or she) should need to write, with spaces for the details to be filled in.*

2. *Ensures the customer ordering correctly, by proper explanation of what has to be filled in; and by making sure that he does not forget any essential points.*

3. *Where it is a question of personal measurements, gives a full and clear explanation of how to measure.*

4. *Makes the order form a piece of extra selling literature, by featuring on it a few outstanding lines of goods, or some house "service" which is not sufficiently known—and bringing these to the attention of the customer just at the psychological moment of writing the order.*

The most complete order forms are probably those in use by the big American mail-order houses. They are compiled out of a great deal of experience. Besides making things easy for the customer, they go to great pains to get the order full and correct, and so avoid wasteful correspondence.

Illustration 1, a form used by Montgomery Ward of Chicago, is reproduced too small to be read easily, so we set out some of the points made in it—

"NAME.—Please write plainly. All Members of one Family should order under one name."

Another large American mail-order house, the National Cloak and Suit Co. of New York, have the following points strongly emphasised in their order form—

"Stop and read over your address."

"Please give name of Head of Household to simplify the keeping of our records."

"Be very sure to give Colours and Sizes."

"Do not delay your own order by forgetting to give size and colours, and do not order sizes or colours not mentioned in the description."

"We cannot fill your order unless you give us the correct size and colour."

"Make sure the amount of money you send with order includes all postage. You will find the amount of postage clearly stated in each description."

"Be sure your remittance includes all postage charges."

Full Instructions for Taking Measurements

Nothing is more provocative of time-wasting and money-wasting in business correspondence than failure on the part of the customer to give correct measurements. It may be perfectly obvious to the retailer how customers' measurements should be taken, but it certainly is not to the general public.

The writer once saw this point tested out. Six men were shown the complicated measurement instructions issued by a tailoring house, and were asked to measure a friend for a suit of clothes. Their respective figures were most divergent, and it was quite evident that the house would have a hard time filling tailoring orders by post to the satisfaction of customers who attempted to follow such unclear instructions.

A measurement form can be conveniently printed on the back of an order form. One house includes measurements for women's clothing, caps, women's stockings, men's socks, children's stockings, children's bonnets, gloves, boots, goloshes, and rings—and the instructions for women's measurements go into details for clothing of many descriptions.

Another firm print measurement diagrams for women on the back of their order form, with the wording—

"In order to give you a well-fitting garment, it is of the utmost importance that you fill in all of the measurements required below. Do NOT specify STOCK SIZES of some former garments you may have purchased elsewhere. Stock sizes differ in various houses."

"All separate skirts, skirts of suits, and the better class of dresses have wide basted hems which will allow for sufficient length of adjustment."

"DO NOT TRY to take the measurement YOURSELF. Have some friend take them for you. Follow these instructions carefully and be sure to USE AN ACCURATE TAPE MEASURE."

At the bottom of the form is a very practical measurement table for infants' and small children's garments, ranging from at-birth to age 3, and giving the mother the alternative of ordering by age or by measurement size, if that size is quoted in the description of the garment.

Here is another piece of very clear and simple wording—

"It is very easy to get perfect-fitting garments at the National. All you need do is to have someone take your measurements exactly as we describe and picture here, and then write them carefully on the other side of this form."

"There is just one proper way to get your correct size—that is by actually having your measurements taken—not guessing at them."

"Please, therefore, actually *have your measurements taken according to the diagram shown here*, and be sure to use an *accurate* tape measure."

"National Garments are shaped so perfectly and made so carefully that we need to know only a few simple measurements to insure your getting a perfect-fitting garment."

Adding Selling Force to the Order Form

In some order forms it is an excellent plan to incorporate small illustrations and brief descriptions of a few of the leading lines offered in the catalogue or folder. It brings them forcibly to the attention of the customer at the very moment when he is starting to fill in the order form (*see Illustration 3*).

And this device has been found to

add definitely to the average value of the total order received.

The order form may also direct attention to a special feature of the firm's business methods, such as a deposit plan.

ILLUSTRATION 3.—GIVING THE CUSTOMER A LAST REMINDER

For instance, Harrods feature on the back of their order form—

“A Deposit Order Account at Harrods saves you time, trouble, and 6d. in the £.”

It is followed, of course, by a detailed description of how to open a Deposit Account, and its terms and advantages to the customer.

Still another way in which an order form can be made to work harder is by using part of the back as a “recommendation form.” Another firm asks—

“Will You Do Us a Kindness? Will you fill in the names of four ladies who will be interested in receiving a Fashion Guide? We will appreciate your courtesy and will not mention your name in writing to them.”

In a grocery and household sundries catalogue issued by Montgomery Ward, the following excellent piece of wording adds selling strength to the order form—

“Start at the beginning of the catalogue, study each page, and write your order as you go along. By doing this, you may discover something you like and have not eaten for some time. Also, by making out your order in this manner, you are sure to have a desirable selection—a general assortment.”

“A good meal pleases all: and by making up a 100-pound freight shipment, you save money in freight charges. If your family is small, perhaps you can interest a neighbour, and you will both benefit.”

General Points about Order Forms

It is always advisable to include a blank “box” space marked “Do not write in this space,” or “For office use only,” on which the firm can rubber-stamp the date of arrival of the order, and insert the various internal checking marks. When a definite space is not ruled off for this purpose, it is found that some customers will write all over the order form, and so leave no proper space for the firm's own checking.

A very convenient order form, saving a reply envelope, is one which folds into the shape of an envelope, with gummed edges to secure it partially, but not entirely. It is then transmissible at printed-matter rate. Of course, this applies only to credit orders, where no remittance is enclosed. If remittance has to be sent, then the customer must use a proper envelope.

If cash is not being remitted in advance—i.e. cases where goods are to be sent on some form of approval or credit—then it may be highly advisable to get not only the man's name and address, but also his business letter-heading, or his personal letter-heading, or his visiting card, in order to secure some indication as to his status and reliability.

And if this be of importance, it is advisable to ask for it *several times over*,

in different forms of wording. For instance—

1. "Please write on your business or personal letter-heading, and sign below."

2. A little note in small italic type at the side: "We have to ask for your letter-heading in order to avoid applications from youngsters."

3. Allow space only for writing the name, and no space for writing the address—and print this wording under the name: "There is no need to write your address, because this will be given by your letter-heading."

By that three-fold reiteration, one can be reasonably sure of getting what one wants. Some people require to be told three times before they act!

As to whether the order form should be loose, or included as part of a folder or catalogue—to be torn off along a perforated line, or cut off along a dotted line—opinions differ. But this point is

certain: The order form relating to any form of bargain offer, or on approval offer, should repeat in condensed form the terms and conditions as set out in the folder or catalogue. The man is then in effect signing a form of agreement, and at the same time he retains a printed folder or catalogue to refer to, in case he is in any doubt later on as to the terms of the offer or the exact contents of the bargain parcel.

* * *

Order forms and request forms are too important to be rushed through perfunctorily. They may be a vital unit in a selling campaign.

Let them be constructed to work for you—and work hard!

□ □ □

The Nuisance of Ambiguity

By W. JAYNE WESTON, M.A., B.Sc. (Lond.)

LANGUAGE is not perfect. It is merely a sign of the thought intended to be conveyed; and the efficiency of the sign depends not only on the skill of the maker but on the knowledge and intelligence of the interpreter. Language, that is, implies a co-operation; depends upon two minds, not one. So we have it that a sign intended in one sense may be understood in another sense. So inept am I in the use of my own language that it ceases to be, what it should be, an effective transmitter of thought. And the misunderstanding may well be a perfectly *bona fide* one.

Difficulty Involved in Language

To him who makes a business proposition, whether by word of mouth or in

writing, the fact that an expression may reasonably be interpreted in more than one way is a matter of importance. He will strive to avoid ambiguity. In the interests of clearness he will do this; he does not wish to be reputed as one unable to use his language with perspicuity, nor as one who is shifty, one whom you find difficult to pin down. There is a more material reason for this avoidance of double meaning. For, quite justly, if a dispute regarding meaning comes before the Court, words are interpreted most strongly against the party using them. The rule is based upon the sound principle that a man is responsible for whatever ambiguity occurs in his own expressions. He has no right to induce another to bargain with him under the idea that the words of the

offer mean one thing, while he hopes the Court will adopt a meaning by which they would mean another thing, more to his advantage. In one rather startling instance, Wilson, the lessee of a rabbit warren, undertook that he would leave 10,000 rabbits on the warren. By a local custom 1,000 was always taken to be 1,200; and Wilson knew this local custom. He was therefore held to have meant 12,000. (*Smith v. Wilson.*)

Eliminate Double-meaning

In the give and take of ordinary conversation the fact that words may bear more than one interpretation adds perhaps to the amenities of life, to the enjoyment of conversation: "I saw a dense crowd yesterday admiring a statue of Charles I," says a diner, and adds meditatively, "There were only nine of them, but they looked dense all right." In business, however, ambiguity must be regarded as an unqualified nuisance. Certainly, we cannot always define our terms so that no debatable margin exists. In every voyage policy of marine insurance, for example, there is an implied undertaking by the assured that the vessel is "seaworthy." Was the term applicable here? A vessel intended for river navigation in India was sent upon the ocean voyage from this country after having been temporarily strengthened for the anticipated perils of such a voyage. True, the vessel was not as "seaworthy" as an ordinary sea-going vessel; but the underwriters knew all the facts and insured the vessel, taking the risk at a higher than usual premium. And when the vessel was lost they were held liable to pay the insurance, since they must have understood "seaworthy" in a less rigorous sense, and in a sense more onerous to themselves, than

the customary interpretation. (*Burges v. Wickham.*) And what are you to expect when your landlord undertakes to keep the house in "tenantable" repair? Does it mean that you must submit to risk of life every time you climb the stairs, or does it mean that the landlord must hold a man in readiness to answer any summons you may make? And how would you interpret your duty if you were the undertaking party? Somewhere between the extremes is the definition: "In the demise of a house with a covenant to keep it in tenantable repair, it is legitimate to inquire whether the house be an old one in St. Giles's or a new palace in Grosvenor Square, for the purpose of ascertaining whether the tenant has complied with his covenant; for that which would be repair in a house of the one class is not so when applied to the house of another." Again we require to use "reasonable" care in our passage about the streets. Otherwise we may be, in the event of accidents occurring, precluded from obtaining damages because of our "contributory negligence." But what is "reasonable" care? I may not, reading verses in a day-dream, wander across Oxford Street at noon; nor need I wait till an obliging policeman raises the hand that arrests all traffic. Again, somewhere between the extremes is the definition.

How Avoid Ambiguity

But because definition is hard we have no right to shirk the duty of making our meaning as clear as we possibly can. Care, coupled with some ability to use the English language as it deserves to be used, will usually suffice. And we will take care as soon as we realise that we are ambiguous at our own risk.

The Third Winter of Unemployment

A Survey of the Present Position

By B. SEEBOHM ROWNTREE

Managing Director of Messrs. Rowntree & Co., Ltd.

What are we going to do about Unemployment? Every other social problem is dwarfed into insignificance by this tremendous challenge to our personal comfort and security, and to the maintenance of the present industrial system. No business man can afford to ignore it, and therefore this lucid analysis of the main features of the problem, which is based on a first-hand investigation by a group of leading economists, should be carefully studied.

AT present twenty per cent of the normal labour power of the country is running to waste. This is a momentous fact which may well claim the attention of readers of BUSINESS ORGANISATION. It shows that the nation is suffering from business disorganisation and mismanagement, and this journal exists in order to help us to overcome these evils.

The direct effects of unemployment upon the unemployed, and the hardship and anxiety which it causes among them and their families, are serious enough. But its indirect effects are even more serious and far-reaching, because of all the factors which tend to create industrial unrest, none is more potent than the menace of unemployment. Until this is very largely removed we can never hope for peace in industry. The thoughtful worker is galled by the knowledge that his labour—and he cannot be dissociated from his labour—is regarded as a mere chattel to be hired for so long as it is wanted, and then immediately cast aside. The knowledge that at any moment, owing to causes over which he has no control, he may be told that his employer has no further use for his services, and thus may find himself struggling in the great bottomless pit of unemployment, is regarded by many workers as constituting so fatal a condemnation of the existing industrial system as to make them desire a new system altogether.

In order to avert or lessen the risk of unemployment, the workers adopt all kinds of self-protective measures. In some trades they refuse to agree to any scheme of payment by result. In all industries they tend to nurse their jobs, going slow, lest they should come to the end of the available work too quickly. They object to labour-saving devices; and they hold back information which would increase the efficiency of business and the output per unit of labour, lest they or some of their fellows should be thrown out of work.

Appalling Handicap to Industrial Efficiency

I believe that if it were possible to measure the results of the brake which is put upon industrial progress by this menace of unemployment, we should be absolutely staggered by their magnitude. It is worth almost any effort on the part of those who are directing industry to remove such an appalling handicap. To do so is an absolutely essential condition of industrial efficiency, and to-day efficiency is more important to Great Britain than it has ever been before. Only if we can hold our own against our competitors in other countries can we hope, under the new conditions created by the war, to maintain our position in the markets of the world. We have been gradually losing the advantages which accrued to

us through having been first in the industrial field. Day by day we are approaching more closely to "scratch," and if we are to win in the race, it will not be because of any fortuitous advantage, but because of superior skill, speed and strength.

For these reasons, it is not only advisable, but in the highest degree important, that the readers of this journal should qualify themselves, by close study of the unemployment problem, to make some contribution towards its solution. Their investigation will naturally concern itself with two questions: first, that of lessening the volume of unemployment; and second, that of dealing with such unemployment as cannot be avoided.

A Recent Investigation into Unemployment

A group of economists, financiers, and business men have recently been making a careful inquiry into certain aspects of the unemployment problem, and have published their conclusions in a book entitled, *The Third Winter of Unemployment*.¹ I propose in this article to draw attention to some of these conclusions. The inquiry, up to the present, has been confined to an examination of the situation as it presents itself to-day, and of the efficacy of the steps which have been taken to deal with it. The investigators have not attempted in the present volume to deal with the underlying causes of unemployment, and in this I think they have been wise. It is important for all of us to seek out these causes, but for the moment our first task, as citizens and as business men, is to grapple with the present emergency. We must at the earliest possible moment get the unemployed back to work, and meanwhile we must satisfy ourselves that the methods now adopted to prevent starvation and

distress are wisely conceived and well administered.

"The years 1921 and 1922 are the worst in the records of unemployment in this country. In only one month in the present century before 1921 did the percentage of unemployed trade union members exceed ten. In no month since March, 1921, has it fallen below fourteen."

These are the opening words of the book we are considering, and they bring forcibly before us the magnitude of the task that we confront. Roughly, one and a half million, or 14 per cent of the workers, are completely unemployed, and this proportion would be raised to about 20 per cent if the amount of short time were, so to speak, measured in terms of total unemployment instead of in terms of partial unemployment.

Distribution of the Unemployed

But in order to handle the problem intelligently, we must analyse the vast figures before us. When we do this, we find that the proportion of unemployed varies enormously between one trade and another. Thus, while in industry generally one in eight of our insured workers is unemployed, the proportion in shipbuilding is one in three; in engineering almost one in four; in iron, steel, cutlery and tool-making over one in four, and in constructional industry, brass and copper, linen and hemp and in the docks, one in five. The high proportion of unemployed in the shipbuilding and engineering industries is principally due to the fact that large numbers of people were attracted to these industries during the trade boom caused by the war. The number of fresh entrants into the engineering, shipbuilding, vehicles, iron and steel and metal trades between 1911 and 1921 was 575,000, or, roughly, 70 per cent of the increase in the male population during that period. Thus it is evident that the distribution of workers over the different

¹ P. S. King & Son, London. (Feb. 1923.) 6s.

trades has been seriously dislocated. It is quite improbable that the causes which led to this dislocation will operate in the future, and thus, the surplus of workers in the shipbuilding and metal trades cannot expect to find occupation there even when trade recovers. They will have to seek it in other industries, and that will often involve their migration to another locality. It is important to recognise this necessity, lest a hopeless attempt should be made by groups of workers to remain in industries and in towns where there is no prospect of ultimate employment.

How has Abnormal Unemployment been Dealt With ?

Now, let us ask what steps have been taken by the community in order to cope with the present emergency. I can only summarise them briefly.

By far the most important is the provision of unemployment benefit. Since March, 1921, practically all workers, except those engaged in agriculture and domestic service, have been compulsorily insured. The amounts of contributions payable and benefits paid have varied from time to time. To-day they are as follows—

Contributions—	From the Employer.	From the Worker.	From the State.
In the case of a man	10d.	9d.	6½d.
" " woman	8d.	7d.	5½d.
" " boy	5d.	4½d.	3½d.
" " girl	4½d.	4d.	3½d.

Benefits—

15s. a week for a man, with 5s. for a dependent wife, and 1s. for each dependent child of school age; 12s. for a woman, and half these rates for juveniles.

Thus we see that a man with a wife and three children receives 23s. a week benefit, the purchasing power of which is equivalent to 13s. at pre-war prices. Obviously, this is inadequate for the barest maintenance. As a result of that fact, and of the long continuance of unemployment, during which any savings

have been exhausted, the unemployed have resorted, in great numbers, to the Poor Law. This is really one of the most ominous features of the situation. During last summer more than one million insured persons and their dependents were receiving Poor Law relief. The proportion of the population dependent upon this source of income varies greatly from one locality to another. In Stockton-on-Tees it was no less than 1,426 per 10,000 of the population, in Sheffield 1,283, in Glasgow 1,213, in East London 924, Birmingham 856, Liverpool 698, Newcastle 673. Figures like these emphasise most strongly the fact that no scheme of unemployment insurance is satisfactory which does not provide adequate relief. It is important at all costs to prevent unemployed workers from having to resort to the Poor Law.

Fundamental Difference Between Poor Relief and Unemployment Benefit

It may be said that there is no difference in principle between receiving unemployed benefit towards which its recipient has made no adequate contribution, and taking Poor Law relief, but as a matter of fact, the difference is fundamental. It is usual to speak of the unemployment benefit as a "dole," but in so far as this term is justifiable its relevance is due to purely temporary conditions. The Unemployment Insurance Act was passed when we were in the midst of the great trade depression, before any reserves had been set aside; and consequently, it was impossible for the ordinary methods of insurance to operate. But the principle of unemployment insurance is sound. It is that employer and employed alike contribute weekly a sum which bears a very small proportion to the wages. The State makes a comparatively small addition to these contributions, and thus there is built up a fund out of which a worker who loses his job through no fault of his

own can claim maintenance when unemployed. This is true insurance; and there is no element of demoralisation in claiming benefit from such a fund during periods of unemployment. The procedure is utterly different from that of receiving outdoor relief.

It may be asked whether industry could afford the burden of providing adequate maintenance. There seems to be little doubt that the answer is in the affirmative. A careful statistical investigation recently made indicates that a levy of about 4 per cent on the wage bill, distributed between the employer, worker and the State, would under normal conditions make it possible to grant relief on the following scale: half wages for all unemployed workers, with an addition of 10 per cent for a dependent wife, and 5 per cent for each dependent child, with a maximum of 75 per cent of average earnings. Benefits on this scale would be sufficient to remove the menace of unemployment, but not so generous as to lead to undue malingering. The "work-shy" would be ruled out by limiting the benefits to one week for every six contributions.

Relief Works

Two other steps which have been taken by the community to deal with the present unemployment emergency must be considered before we pass on. The first is the provision of relief works. These have been undertaken on an unprecedented scale, and the Government has made a substantial contribution to their cost. Broadly speaking, the Government grant has probably just about equalled the additional cost involved in doing work with inefficient labour instead of with skilled workers.

Provision of Meals for School Children

Secondly, the situation has in part been met by the provision on a large scale of

meals for school children. In the year ending 31st March, 1922, rather less than one-seventh of the school population were fed, receiving over 60,000,000 meals during the year. This method of relief has now, however, been reduced to small proportions. The Board of Education has limited the grant under this head for the year 1922-23 to £300,000.

Public Expenditure on Unemployment Relief

It is not easy to disentangle the accounts so as to ascertain accurately the total cost of relieving distress among the unemployed, but it seems to have amounted to about £81,000,000 during the year ending 31st March, 1922. This sum was made up as follows—

Out-of-Work Pay	£67,000,000
Poor Law Relief	8,000,000
Cost of Relief Works beyond what they would have cost if undertaken under normal conditions	6,000,000
	<u>£81,000,000</u>

The above leaves out of account the relief given through charitable means, and the seven and a half million pounds expended in out-of-work benefit by the trade unions during the year ending 30th September, 1921.

Attempts to Stimulate Trade

In addition to making grants to relieve distress due to unemployment, the Government has conducted two interesting experiments in methods of stimulating trade.

The Trade Facilities Act came into force in November, 1921. It empowered "the Treasury, after consultation with an advisory committee, to guarantee the repaying of the interest and principal, or of either, of loans raised by Governments, public authorities, corporations, or other persons, on the condition that the proceeds of the loan were utilised in carrying

out capital undertakings, or in the purchase of articles manufactured in the United Kingdom for the purpose of such undertakings, which were calculated to promote employment in the United Kingdom. The duration of the Act was twelve months, and the limit to the amount that might be guaranteed was £25,000,000." It was thought that there were business enterprises which could not be launched because of the prohibitive price of new capital, and that the difficulties would be overcome if the Government made it possible to obtain money at 5 per cent instead of 7 or 8 per cent. Only propositions which were commercially sound were considered. As a result, several useful undertakings were launched, but owing to the rapid drop in the rate at which money could be borrowed, through ordinary channels, the value of the scheme has progressively declined. However, the experience thus gained should be of value in dealing with periods of depression in future. The negotiations and preparations which are necessary under a scheme of this kind before any work can actually be commenced occupy a long time, and such preliminaries should be undertaken as soon as there are indications of a depression, not left until it is upon us. Still, the Trade Facilities Act has been sufficiently successful to justify its continuance beyond the year for which it was originally introduced. Its machinery has secured the confidence of the business world, it has lessened the cost of financing new developments in a depression, and its general effect has been to raise, rather than lower, the standards of financial soundness by which new enterprises should be judged.

The Export Credits Scheme

The Export Credits Scheme was a measure designed to facilitate the resumption of trade with some of the less important countries of Europe, our relations

with which had been dislocated by the abnormal political situation. It authorised the Board of Trade to grant British exporters credits and to undertake the business of insurance, "where risks of an abnormal or exceptional nature are involved, insurance against which cannot, in the opinion of the Board, be otherwise effected on reasonable terms." Various changes were made in this scheme as the result of experience, and as it became better known by exporters, it proved of increasing value. Guarantees to the amount of £21,000,000 had been given by September, 1921, and the Government decided to extend the measure for another year. It is impossible accurately to estimate the probable cost to the State of the Trade Facilities Act and the Export Credits Scheme, since we do not yet know what losses will be incurred. Probably, however, these will be small; it is hardly likely that they will exceed one or two million pounds. If this proves to be the case, the schemes will have been fully justified.

Taken altogether, the measures which the Government has taken to relieve distress due to unemployment have been on a colossal scale, although, certainly, they have not been greater than the occasion justified. To what extent have they been required? In order to answer that question, the authors of the book we are considering made first-hand investigations in nine typical localities: Birmingham, Burnley, Cardiff, Glasgow, Manchester, Middlesbrough, Sheffield, Stoke and Woolwich.

Briefly, they arrived at the following conclusions—

One very notable and important feature of the present depression is that the widespread physical distress which has hitherto accompanied unemployment has been averted. In the past two winters, with unemployment far more extensive and severe than in any pre-war depression,

the health of the people has on the whole been wonderfully unimpaired. This is due, at any rate in the classes that used to suffer first and most severely, to insurance allowances, Poor Law relief, and school feeding. But it would be a mistake to spring to the conclusion that there has been no suffering. Different groups have been differently affected. Those who in times of good trade were irregularly employed and received low wages have found their average incomes maintained, or almost maintained. But the burden of the present depression has fallen more heavily on other classes of wage-earners. It has affected the well-paid, skilled, and regularly employed artisan and craftsman. On these the strain of unemployment is greater, and the relief which they obtain is much less adequate. The insurance allowance represents a much more acute divergence from their accustomed standard of living; and they are much more reluctant to apply to the Poor Law.

No Widespread Demoralisation

With regard to the effect of out-of-work pay on the morale of the workers, the conclusions arrived at in this report are interesting and important. The authors believe that it has been demonstrated that a system of allowances, by which the worst distress due to unemployment is prevented, does not necessarily involve widespread demoralisation. They are convinced that maintenance without work is at any rate less demoralising than unemployment without maintenance. The really demoralising element in the situation is the loss of the regular, useful occupation which exercises a man's powers and sustains his self-respect, and the effect of this loss is more noticeable with every additional month of unemployment.

The youths who spent in the Army the years that would normally have been devoted to an apprenticeship to industry, present a special problem. They had no

opportunity of becoming habituated to industrial work, and possess no special skill. It is among these that cases of shirking of available employment are sometimes found.

Conclusions

To my mind the lessons to be learned from this interesting survey of the present unemployment crisis are—

1. The distribution of workers over the different industries has been seriously dislocated as a result of war conditions, and there must be a considerable redistribution of labour before it can hope for re-absorption.

2. Unemployment insurance must continue, but it will fail in its purpose if it does not provide benefits which are sufficient to maintain the workers without their having recourse to the Poor Law. Such benefits can be provided without imposing any undue burden on industry.

3. Both contributions and benefits must bear a relation to the wages earned when in work; otherwise they will be too high for the worker who normally earns low wages, or too low for the higher-paid artisans.

4. Benefits must vary with the number of dependents to be maintained.

5. A worker is not demoralised by receiving out-of-work pay granted out of a fund to which he himself has made a substantial contribution.

6. The Trade Facilities Act and Export Credits Scheme should become a permanent part of the machinery for dealing with the unemployment problem in periods of depression.

7. Relief works should be carefully thought out in advance, and should be of such a character as to promote industrial development. Their cost should be a charge on the Central Government and not upon localities.

8. There should be much more complete co-ordination between the different agencies which are providing relief.

Studying Markets

By ANTHONY CLYNE

Some Lessons from Experience

IT was an old reproach against British manufacturers that they were apt to be indifferent to or at least reluctant to study the niceties of the requirements of foreign customers. Of course, the instances of failure which were noted were remembered, because they provided a convenient theme for exhortation, and the infinite multitude of examples of ingenuity and enterprise in gaining trade by exact satisfaction of demands were sometimes forgotten. Nevertheless this defect, whether it be due to stupidity or obstinate conservatism, is a serious fault, and signs of reformation are not apparent.

German Trade Methods in Ceylon

British trade with the Pacific Islands during recent years would provide many examples of how American and especially Japanese merchants have profited by British indifference to native tastes and foibles. By studying these closely and supplying commodities to suit them exactly they have many times captured sales from British competitors. The most striking example, however, comes from Ceylon. The Germans have invaded and well-nigh entirely annexed the market in domestic articles, hardware, and similar commodities, partly owing to low prices but partly to their patient, painstaking, eager catering for its precise peculiarities. A Colombo journal recently gave a concrete instance of their methods in the cloth market. The people wear cloth skirt-wise and are not very stalwart in build, so that they require only a certain width. If wider, the cloth has to be cut and the extra wasted, or folded over in wear, when the extra is just as useless

and inconvenient. The representatives of British manufacturers, however, would not accept orders for cloth of this width, stating that the machines were not set to make that size. The Germans were anxious not only to supply cloth of the width wanted, but offered to put a border on the edge, which greatly improved its appearance when worn as a skirt. The eventual result of these different tactics was that Germany obtained practically all the orders for cloth.

Hindu Images: Why Birmingham Lost the Market

The circumstances remind one of the manner in which the Germans scored over Birmingham in the market for Hindu images. From Birmingham came very large quantities of the commoner brass or bronze images of Hindu worship, but the designers neglected to study Hindu symbolism. Vishnu, for example, bears four symbols: the conch-shell, the lotus-flower, the mace, and the disc. But these are differently arranged according to his aspect, being disposed in various ways among the four hands of the god. Noticing that these symbols were in different positions in different images sent to this country as models, or in drawings and descriptions, the designers assumed that it did not matter where they were placed. Oriental scholars would have informed them that a most important philosophical significance attaches to the diversities of position. The Germans condescended to learn and catered for the demand exactly, from designs approved by Orientalists, and so they captured practically all the market, except, of course, that portion supplied by native craftsmen.

“Amalgamation and Reconstruction of Printing Companies”

MR. HERBERT W. JORDAN (Managing Director of Messrs. W. Jordan & Sons, Ltd., the company registration agents, of Chancery Lane, W.C.), recently delivered an instructive lecture on the above subject before the members of the Association of Master Printers (London Central Districts) at the Stationers' Hall.

At the outset, Mr. Jordan briefly outlined the method of forming a company, pointing out that there were approximately 84,000 private companies on the register as compared with a total of 14,000 public companies. Last year 7,478 private and 374 public companies were registered.

Definition of Terms

The terms “amalgamation” and “reconstruction,” although fairly well understood by the commercial world, were not defined by the Companies Acts. “Amalgamation” he regarded for their present purpose as the merging of two or more undertakings, or the merging of the control thereof, whether the undertakings were owned by firms, limited partnerships, or companies, into one company; and he used the term “reconstruction” in a restricted sense by applying it only to the case of the winding-up of a company and transfer of its undertaking to another company formed with the express object of making such acquisition, the members of the old company exchanging their shares for shares of the new.

Objects of Amalgamations and Reconstructions

Amalgamations were effected with the object of combining different undertakings or

of bringing them under one control and thus co-ordinating the businesses, improving the organisation, avoiding overlapping, minimising competition, and strengthening the stability of the undertakings as a whole.

Reconstructions were effected for one or more of the following purposes: (a) Raising fresh capital; (b) re-organising the capital; (c) reducing the paid-up capital or extinguishing the liability in respect of uncalled capital; (d) enabling a return of capital to be made to the members; (e) effecting a compromise with the creditors; (f) enlarging the powers of the Memorandum of Association; (g) increasing the paid-up capital without any corresponding increase in the value of the assets.

Secret Control Possible

The printing industry had produced numerous amalgamations and reconstructions. Moreover, in a considerable number of cases where amalgamations were believed to have been effected it was not possible to adduce proof thereof, as it was not difficult for one company to acquire an absolute control over another company without disclosing the fact to anyone beyond employees in their confidence.

Mr. Jordan enumerated the better known amalgamations and absorptions in the printing industry in recent years, and subsequently explained in considerable detail the various methods of effecting amalgamations and reconstructions and the objects they were intended to serve. Illustrations drawn from recent actual cases, but mentioned under fictitious names, were a valuable feature of the lecture, which was greatly appreciated.

Many business firms regularly subscribe for several copies of this magazine for the use of their Staffs. Draw your friend's attention to it.

The Financial Reconstruction of Foreign Markets

By C. R. STILES, F.S.S., F.R.G.S.

The most baffling and perplexing economic problem of the day is discussed in this article by an authority on international finance. Stress is laid on the essentially moral basis of international trade, and from this standpoint the unprincipled character of Germany's financial policy clearly emerges. The writer discourages the idea of a big international loan to Germany, and urges that she could rehabilitate her currency by her own efforts. Measures by which such recovery could be hastened by the Allied Powers are suggested in conclusion.

PRIOR to the war Mr. Norman Angel published a treatise on the international character of finance as developed by the broadcast process of borrowing and lending on the part of practically every country in the world. Mr. Angel set himself to prove that the inter-locking of mutual interests had become so firmly established, and the question of the market values of securities of so delicate a mechanism, that war was not only highly impracticable but verging on the impossible. To many politicians and economists this doctrine appeared without flaw; but the cataclysm of 1914 exposed the existence of a factor which had not entered into the writer's calculations, i.e. the refractory human element. The war, as affecting Mr. Angel's theory founded, as it was, on the presupposed restraining power of civilisation, has placed the question of interdependence of nations both in a financial and in a trading sense in its true perspective. The principle embracing the dependence of one country on other countries, by reason of the general acceptance throughout the world of the principles of capitalism and an expedient obedience to irrefutable economic laws, is an undoubted truth; and recognition of this truth is behind the Herculean efforts of leading nations to stabilise the external values of the various

currencies, to induce economy on the part of those countries who cannot, or will not, balance their budgets, and so bring about reconstruction of what is termed the "foreign market."

The fact that one nation is dependent, through the demands of its standard of living, on one or more of its near or distant neighbours is indisputable. It is well known, for example, that our own existence could not be supported for longer than two or three months were supplies limited to production from our national resources, and even in the case of a vast country like the United States, with practically unlimited resources and a consumption of home produce far exceeding our own, it has been very adequately established that if the standard of living to which the American citizen has attained is to continue, then the maintenance and development of her export trade is essential.

Nationalism and its Effect on Credit

It will be interesting to glance for a moment at the attitude of America and at her changed circumstances resulting from the war. Owing to her delayed entry into the struggle she had become the main source of supply from whence the wholesale destruction of material and the subverted productivity of Europe

was made good. All the advantages of a clear field of commerce, and of a unique position as the creditor nation of the world were at her disposal for manipulation, either on broad principles embracing benefits to war-stricken countries as well as to herself, or for national aggrandisement which should leave consideration for other countries a matter of secondary importance. In 1918 the latter would seem to have been the end which America appeared to have in view, and the enforced tempering of this ambition which has taken place during the last three or four years tends to prove that the attitude of a given country's self-segregation in a spirit of intense nationalism is economically unsound. This brings home to us the active truth that the most cherished possession of a nation, i.e. credit, is apt to destroy itself unless the benefits it presupposes are passed on. National spirit is admittedly an essential virtue in a country's development; but, as in the instance of the United States, it is clear that this spirit cannot be developed without full cognisance being taken of that respect which one section of humanity owes to another section.

America and the International Spirit

Fortunately for the rest of the universe, it is now abundantly clear that America has perceived the impracticability of possessing most of what the material world has to offer without admitting obligations to other nations. Sentiment appears to have largely changed in tone, and it is undoubtedly becoming realised that until foreign markets are developed by the circulation of America's gold, through the medium of foreign loans, there is little hope for the expansion of that export trade which is essential to the country if a high standard of living and the regular employment of her workers are to be maintained. If due regard be had to the financial history of

the United States and to her situation and vast resources, it is hardly to be expected that she should suddenly evolve a comprehending, international spirit such as has been associated with the financial and territorial development of Great Britain for the past century; hence one is hardly surprised to learn that America's incursions into the field of foreign investments are accompanied by a caution somewhat in contrast to the pioneering spirit which has for decades past been typical of the British investor in relation to the export of capital.

American Financial Policy Criticised

United States financiers recently entered into negotiations with Jugo-Slavia for the purpose of a loan, the proceeds in the main to be used for constructing and equipping of railways, and the conditions laid down by the American group in the initial negotiations were onerous in the extreme to Jugo-Slavia. True, this loan was not accepted, but even the loan recently completed carries conditions which make acceptance by Jugo-Slavia difficult to understand. Again, the United States Administration some time back issued a request to financiers to keep the government advised respecting proposed foreign loans; the inference behind this request being that the Government is fully aware of the vast importance of American capital exports, and considers that they should be used as a lever in favour of the repayment of debts and to effect curtailment of expenditure of European nations in regard to their military and naval programmes. These and similar restrictions in the vital business of international lending no doubt appear in keeping with the business-like, if insular, outlook of our transatlantic friends; but they do not reflect the foreign investing spirit best calculated to evolve the rapid reconstruction of overseas markets.

Recovery of British Export Trade Imperative

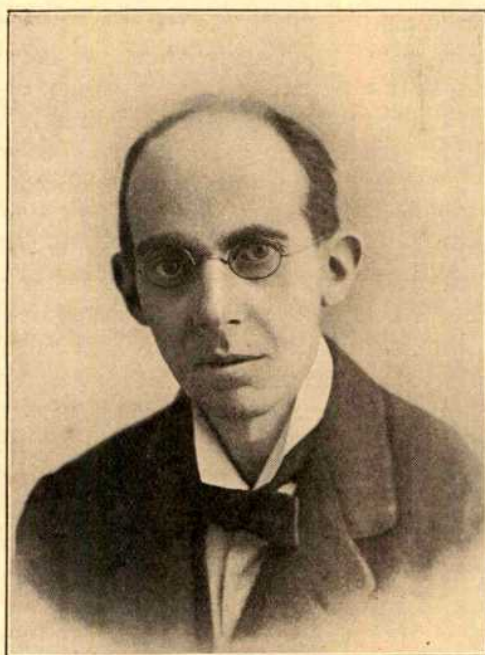
The question of mutuality in our own case may truly be described as substantially more important than in the instance of America. Our civilisation has for many years past developed on industrial lines, and agriculture now plays a relatively small part in national employment. The resumption of exports, in quantities as distinct from values, approximating

to the pre-war scale is essential. With a high percentage of unemployed, probably in the aggregate not far short of 2,000,000, the recapture of foreign markets is a matter that is urgent; and it is hopeless to look for substantial markets in countries where the standard of living is at present so low that articles of manufacture, even of an essential character, cannot be absorbed. Conferences and the somewhat abstract plane of thought peculiar

to higher economics have not achieved a large measure of success to date; our exports credit scheme and the Ter Muelen scheme have passed out of public interest, and a course of a practical nature is clearly required to meet the case. To develop a given market, money is needed; and that that money should be expended so as to give the greatest measure of employment would appear a further essential. With greater earning-capacity the consuming power of the given market will be enhanced, and react either directly or indirectly, to the

benefit of the lending country; directly, in the case of contingent contracts made in favour of the lender, or indirectly, through the developed consuming power reacting on other countries with which the original lending country is in commercial contact.

A financial and trading interdependence is thus established which is greater than any known doctrine, ethical or otherwise, in its power to educate nations to the recognition of morality in dealing and of mutuality of interests.



MR. C. R. STILES, F.S.S., F.R.G.S.

Moral Basis of International Trade

Morality in dealing, as between the trading units of nations, is now a fact so widely admitted as to constitute a universal and inseparable adjunct to progressive business. The trade *débâcle* of 1920-21 is not typical, and sprang from causes which in the majority of cases left the individual trader helpless

to fulfil his engagements and stretched banking accommodation far beyond its normal limits. There exists one outstanding feature that is practically axiomatic relative to this question of international morality, and that is the prestige of the sterling bill. After the war it would have seemed in keeping with the scheme of consequence had New York become the bill-discounting centre of the world. With our great competitor possessing cash, credit, and trade tentacles in every corner of the globe, there appeared but small prospects of London's regaining

her pre-war place in the international money market; yet to-day it is the sterling bill that is universally accepted in preference to the dollar bill. No higher appreciation could be offered of that standard of mutuality in trading and in finance which England has built up in the past, and which it is clearly to her interest to maintain in the future.

Immoral Trading : Germany's Subversion of Capitalism

As there are nations prominent in their recognition of the principle of moral responsibility, so there are to-day nations the immorality of which is not only anti-social but definitely obstructive to the most earnest attempts that are being made to reconstruct a potentially rich but actually impoverished Europe. Russia has been the example of an utter negation of capitalism—a negation which had it continued would have ultimately effected a reversion of her people to barbarism. Germany is the example of the principles of capitalism adopted and subverted. Her industrialists are economists, and her economists are industrialists; and both are exclusively national. Recognizing, long before our economists had grasped the fact, the dual value of an inflated currency and its efficiency in effecting the production of low-priced manufactures for export, the German industrialist allied that fact to intensive organisation, to the intensive will to work of a people educated in industrialism, and to a conveniently existing low standard of living.

The result of this combination of "home" economics is—negligible unemployment returns, the underselling of the "moral" countries in every market in the world, an effective barrier placed in the path of a return to normal conditions of trade, and an unfortunate example, to countries less practised in principle than, let us say, Great Britain

or the United States, that the materialism of profit is the aim of existence; and that such acquisitions as a place of honour among nations and a prestige that places, for all practical purposes, a parity value on a merchant's signature, acceptable in any part of the world, are rather the accompaniment of distress and money shortage than of prosperity.

Futility of Government Schemes : An Investor's Problem

When we consider the very limited amount which Britain has been able to dedicate directly and indirectly to the development of overseas markets—the exports credits scheme with a sanctioned amount of £26,000,000 for the aid of Central European markets, and the trade facilities scheme comprising a guarantee for capital works of £25,000,000—it is obvious that the sums so devoted can be of little practical assistance in achieving the great purpose of building up foreign markets in order that their growing prosperity may react in purchases of our manufactured commodities, and so effect a reduction of our huge expenditure on account of unemployment. Out-of-work donations and unemployment benefit to the present time have amounted to a sum in the neighbourhood of £150,000,000, and it is estimated that in round figures the present average weekly rate of expenditure on unemployment benefit is £1,100,000, with an additional amount for outdoor relief of £250,000. Obviously, therefore, this great question is one that the governments of the leading countries cannot possibly hope to approach successfully. It is a problem that is only to be solved by the investor; but while the investor is without confidence in the ability of the various temporarily decadent countries to shoulder obligations in a spirit that clearly shows they will honourably accept responsibility, he is

far more likely to keep his money invested in the more stable undertakings of his own country. At the present moment, from the trading point of view, the very low rates ruling for money show that there is no scarcity of funds available for channels that are relatively safe; but the matter is severely prejudiced by the danger and instability of currencies representative of countries where inflation is still rife. These fluctuations in currency mean that the purchase of a foreign currency bill, which before the war would have been accepted confidently, now involves the acquisition of an unknown quantity, though the parties drawing the bill may be absolutely honourable and readily disposed to meet the bill at maturity; but a big fluctuation in currency may at any time prejudice ability to meet the obligation. Through the medium of forward exchange the loss attendant upon the transaction may be minimised; but forward exchange is no guarantee against a fall in commodity values. From this it will appear that normal trading transactions have become inseparable from gambling in currency, and it is obvious that the trader whose primary object is to dispose of his goods at a profit (which cannot be reasonably foreseen in the absence of stable currency and narrowed fluctuations in rates) limits his transactions to certain countries which are "safe," or he prefers to deal on a gold basis, which latter obviously shuts out the principle of credit, without which interchange of commodities on a large scale is impossible.

Germany Must Help Herself

The conclusion from the foregoing is that the onus of reopening international trade primarily rests upon the country in need of what we may call "financial regeneration." Both the United States and Great Britain have passed through their periods of inflation; such inflation

in each case has been arrested—not in time to avoid substantial distress, but in time to avoid chaos—and the resulting deflation has been faced, endured, and the healthier atmosphere of internal reconstruction won. That which is possible to a country such as Britain, which financially has shouldered the greatest responsibilities arising from the war, is obviously possible to a country like Germany, which history has shown to possess greater powers of economy, organisation, and industry than are possessed by ourselves.

Loans Inadvisable

The lending of substantial sums of money to Russia and to Germany has been strongly advocated in various quarters; but as in private business no individual would consider making a direct loan to parties that neither in intention nor ability can be considered substantial, so it is obvious that loans to either of these countries in the present state of their finances and respective views in regard to the fundamentals of morality would merely be running risks without adequate compensation.

That the spirit of interdependence between nations is essential to the well being of the world can be accepted as a fact which to deny is to deny our future moral and social progress; but there exists an equally patent fact that such interdependence must be based on a solid foundation. If certain countries will not come into line with such outstanding examples of what can be effected in the matter of adjusting expenditure to income as have been provided by ourselves, and by, let us say, Czecho-Slovakia, amongst the new countries, they have obviously placed themselves beyond the pale of that international intelligence which at present has become a distinctly narrowed circle of effective and interchanging trade and commerce.

How to Deal with Refractory Countries

It would hardly seem an infeasible corrective to say to these countries: We do not admit your depreciated currency and your trade bills drawn in that currency as monetary units representing the values of commodities; for such goods as you take from us we will require payment in bills or money representative of countries whose finances are stable and whose budgets are balanced; yet at the same time every possible assistance shall be given where a genuine desire to return to normal conditions is evidenced. Such an attitude on the part of the more stable countries might lead to a temporary trade ostracism; but it would react enormously to the benefit of our colonies, of Switzerland, Czecho-Slovakia, Latvia, Esthonia, and other countries of Central Europe, which are honestly endeavouring to return to normal conditions. It may be argued that such a course would lead to enhancement of the exchange values of the currencies of the more stable countries; but obviously such enhancement would be merely relative, as it is to-day. A country such as Germany would, moreover, only be able to buy acceptable currency or bills to the extent that she produced goods required by countries able to command such paper. Acceptable currency or bills earned by Germany would be available for her imports, and practically a trade balance would have to be adhered to. Given that the mark were no longer an accepted unit on the foreign exchange market, Germany would be compelled to write off her enormous surplus note issue.

The Plight of France

The danger of permitting the presence of a unit of currency which has sunk to the level of the German mark in international exchange cannot be exaggerated, for when it is permitted as it is to-day,

to derange the entire course of the normal interchange of commodities it is impossible with recognition of the unit, to localise its effect. We have, for example, the instance of France, which has been led to expect huge and continued payments of money or its equivalent in the shape of reparations from Germany; and the result has been that France has discounted the regularity of these payments with prejudice to her national finance. The consequence shows itself in persistent inflation in France, her currency rapidly increasing to meet modern trade and other transactions that are to a substantial extent based on inflated conditions. Had there been no expectations from reparations due to France it is clear that the extensive reconstruction to which she has so far committed herself would have been reduced to the limit presupposed by the taxable capacity of her people; and not founded on the unstable value of reparations that is obviously a declining quantity.

Self-Interest the Final Arbiter.

The members of a nation through their politicians agree on a definite policy. The nations of the world can disagree and no "law of common weal" can at present be enforced. The League of Nations, wherein exists the germ of a lasting peace and concord in international commercial relationships, is powerless to enforce the conclusions evolved from its deliberations; and thus it is possible for one or two refractory countries to maintain the world in a state of disturbance. As matters stand to-day a genuine resolving of the European problem rests substantially on the fact that ultimately self-interest will provide expedient action in the direction of embracing the present international creed of commerce, and hence reconstruction is rather to be expected from within than actuated by external remedial measures.

Safety First!

Timely Hints on How to Avoid Bad Debts

By A. R. LEWIS

THE above two words equally apply to the granting of credit in business. Credit problems crop up from day to day with traps for the unwary, so that the one held responsible for credit holds no sinecure position, for nobody is infallible and can foresee the unexpected.

With so many limited companies springing up mushroom-like, every precaution should be taken and every possible inquiry made before a new account is declared open.

The value of trade protection societies to their respective trades cannot be underestimated, and if not a subscriber, deem this an urgent need. In some instances a weekly "black list," whereon is recorded a list of names and addresses of firms who have been applied to for payment of an account on a member's behalf, is issued.

This does not necessarily imply that the firm or person is insolvent or unable to pay; it may merely imply a disputed account, an account not due, or there may be other reasons for non-payment. If you are interested, further information may be obtained by ringing up the offices of the society.

Most trade protection societies have their own solicitor so that an account can be automatically passed on for legal proceedings to be commenced, if so desired. It is an unwise policy, however, on discovering a client's name on the said advisory list to instantly issue a writ. This would be obviously unfair to a doubtless honest man only too anxious to meet his obligations, should one and all of his creditors follow suit and crush him before he has a chance to recover. Further inquiries should be made before

such drastic measures are taken. It must be remembered that where goods are sold to a company subsequently turned into a limited liability company, the latter cannot be pressed for the amount of your claim. Your remedy would be against the individual partners of the late firm, and should a search at the Registry of Business Names Office fail to disclose who they are, the debt may be written off as bad.

Bankers' references are given in good faith, but may not always be depended upon. Let us suppose an individual applies for a credit account up to £150, giving his bank as a reference. His excuse may be he cannot give trade references, having but recently commenced in business. The bank reports: "Quite good for amount stated, viz., £150." But then, this may probably be the amount standing to his credit at that period.

What would prevent the man from applying to half-a-dozen other firms for a credit account in a similar fashion and obtaining goods from each of the firms in question?

The moral is obvious.

Doubtless it has happened that a client requires goods for a large amount to be delivered at once, handing over a cheque for payment. The advisability of waiting until the said cheque has been cleared, before delivery of the goods, cannot be too much emphasised, otherwise you run the risk of the cheque being returned marked "Refer to Drawer," and the disagreeable experience of losing both goods and money. It would be better to lose the order, would it not?

Institute of Cost and Works Accountants

"Standardisation in Cost Accountancy"

AT the second annual conference of the Institute of Cost and Works Accountants, held at the Connaught Rooms, London, on Friday, 9th March, a valuable paper, prepared by the Executive of the Council, was discussed on the subject of "Standardisation in Cost Accountancy."

Sir Herbert Austin, K.B.E., M.P. (Vice-President), presided at the morning session, and Sir Max Muspratt at the afternoon proceedings. Both sessions were well attended, quite a number of manufacturers and directors of large concerns being present in addition to members.

The Council stated unequivocally that the standardisation of cost accounts and of their form for all industries is not practicable, if for no other reason than the divergence of the nature of the products of industry. However, by agreeing upon certain standards of principle, a measure of uniformity is achievable, and a great deal of work had been done already in certain industries towards agreement upon standard methods of costing, notably in the printing trade, the tube trade, the hearth furniture trade, and in the electricity supply industry.

Agreement in regard to the definition of the principal terms used in cost accountancy appeared to be very necessary, and the Council had before them the desirability of standardising the nomenclature of cost accountancy. For example, the use of the terms "productive" and "non-productive" labour had led to erroneous conceptions of cost and mistaken ideas as to what constitutes good management.

The calculation of the true cost of production, which is a final quantity, appeared to be possible by the adoption of standardised principles, but it was obvious that in the obtaining of these results the systems employed need not, and indeed could not, be uniform in the majority of industries.

The fundamental principles which, if adopted, would enable industries to go a

very long way towards the standardisation of cost accountancy to meet their own particular needs, irrespective of the systems applied, were laid down by the Council, who, in conclusion, said that one great need of industry was the introduction of cost accountancy, not by amateurs, but by properly qualified men. With the encouragement and assistance of all those engaged in the industry, they would be able to produce results which would enable the directorate to control their businesses scientifically and efficiently, and thus produce commodities on the most economical basis. There had been so much amateur work in the past by persons, who, though they were well disposed, did not recognise their ignorance of the principles of cost accountancy, that the introduction of a costing system instead of proving beneficial to a business, had resulted simply in more waste.

Employers should give the costing problem serious consideration. It might be that they would realise then that the collective employment of a qualified cost accountant for one industry is a necessity. His work would consist, firstly, in explaining and in accomplishing the acceptance of the principles of good cost accountancy; secondly, in advice on systems to give the desired reliable results; and finally, in the preparation of the procedure for the presentation of complete and comparable costs.

The paper was followed by a most interesting discussion, in which both members and visitors took part. A verbatim report will appear in the Institute's official journal for April.

Lord Leverhulme presided over the annual dinner, held in the evening at the Hotel Cecil, and delivered his presidential address.

Great progress is being made by the Institute, and a petition has been lodged with the Privy Council for the grant of a Royal Charter.

Keeping Track of Empties

By GEO. B. LISSENDEN

Author of "Industrial Traffic Management," etc., etc.

The simple system described in this article is readily adaptable to any type of business, and is strongly recommended for adoption.

IN some businesses the cost of packages and packing materials is very considerable, and consequently there arises the necessity for keeping a very careful record of the outgoing and homecoming of these containers. Here are the details of a simple system devised by one firm for keeping track of their empties, and the following particulars will probably help other firms who are presently situated as this firm once were—that is to say, frequently losing their empties and unable to recover anything for the loss sustained—to solve their problem.

The System in a Nutshell

Tacked on to every case is a stiff, folding cardboard label as per Exhibit No. 1 on which—as will be seen—are instructions to the consignee as to how to sign for the consignment. In view of the fact that the railway companies have become very particular and now require—not without reason of course—that any claim for loss or damage shall be substantiated with proof of their liability these instructions are most important. For example, if a package were delivered damaged or pilfered and the fact were not pointed out by the consignee to the railway company's carman at the time of delivery, the claimant might possibly meet with some difficulty in establishing his claim for compensation—indeed, if the railway officials did not themselves notice anything amiss with the package

when it left the goods station, the probability is that the claimant would be told that "as the consignment passed all hands without remarks it can only be assumed that the damage occurred after the goods left the company's possession, and therefore no liability can be admitted by the carriers." Hence the necessity for caution in this respect.

It will be noticed, too, that at the foot of Exhibit No. 1 there is a note to this effect: "When returning this package please detach this card at the perforation, fill in the necessary particulars on the other side, and post this card to us at once." Exhibit No. 2 shows the reverse side of the card which, it will be noticed, acts as an advice card when detached. This means of course that the work thrown upon the consignee is reduced to a minimum. The counterfoil of the card—Exhibit No. 3—remains on the case as the return address label, the blanks on this being filled in before the package leaves the supplier's warehouse.

Simultaneously with the dispatch of the consignment an "Empty Advice"—Exhibit No. 4—is posted to the customer, and an entry made in a loose-leaf "Empties Record" as per Exhibit No. 5.

Why Care is Necessary

It has to be carefully borne in mind that what applies to full goods applies equally well to empties—that is to say, if an empty package is lost in transit and a

From SMITH, JONES & ROBINSON, London Road, Manchester.

ORDER No.	HEAVY DRAPERY.	Paid Home.	PACKAGE No.
Per.....Ry.		Date.....	
Apparent LOSS or DAMAGE to be signed for, otherwise "CONTENTS NOT EXAMINED." Test Weight. Advise the Carriers and ourselves of all damages and shortages WITHIN TWO DAYS OF DELIVERY. N.B.—When returning this package please detach this Card at the perforation, fill in the neces- sary particulars on other side, and post card to us at once.			
————— OPEN HERE ————— EXHIBIT No. 1			

STITCH AND TACK HERE ONLY.

STITCH AND TACK HERE ONLY.

RETURNED EMPTY ADVICE PRINTED PAPER		rd. Stamp
This Empty was handed to the.....By. Co. at.....Station on.....192..... and signed for by 	To SMITH, JONES & ROBINSON, London Road, MANCHESTER.	

EXHIBIT No. 2

RETURNED EMPTY.	CARRIAGE PAID.
ORDER No.....	PACKAGE No.....
To SMITH, JONES & ROBINSON, London Road, MANCHESTER.	
From.....	
Date.....	

EXHIBIT No. 3

claim for its value is not submitted to the railway company within the specified time, the carriers are fully entitled to disclaim all liability. The "specified time" is defined in Clause 3 of the railway companies general conditions of conveyance and reads as follows—

The Company shall not be liable for loss from or for damage or delay to a consignment or any part thereof unless a claim be made in writing within three days after the termination of the carriage of the consignment or any part thereof or in the case of traffic to places outside the United Kingdom the termination of the carriage by a Railway Company of the United Kingdom nor for non-delivery of a consignment unless a claim be made in writing within fourteen days after its receipt by the first Contracting Company.

The Legal Position

Many test cases could be quoted to show that this condition is perfectly valid, but the following will suffice. In *Vernon v. Midland Railway Company* the plaintiffs claimed from the railway company the value of 420 empty flour sacks consigned to them from Bedford and not delivered, and alternatively damages for their conversion. Defendants denied liability, relying on a clause in the consignment note which relieved them from liability for any claim in respect of loss of goods unless notice was given within fourteen days of the date of the dispatch of the goods, and the plaintiffs had made no claim until two months after such date. The plaintiffs in reply contended that the clause was unjust and unreasonable within the meaning of Section 7 of the Railway and Canal Traffic Act, 1854.

It appeared that on 3rd February, 1917, plaintiff's agent at Bedford consigned the sacks for transit to the plaintiffs by the defendants' railway. These sacks were never received. The first the plaintiffs heard of them was on 28th March, when they received an account from their agent at Bedford for his services in collecting and forwarding the sacks.

Correspondence ensued and in July, 1917, plaintiffs made a formal claim.

The Common Serjeant in his considered judgment said the only question with which he had to deal was whether the latter part of Clause 3 of the Consignment Note was just and reasonable. It was said by the plaintiffs that the clause was unjust because it threw upon them the burden of giving notice of something they did not know, but their agent or customer consigning the empty sacks had the knowledge, and the knowledge of the agent must be taken to be that of the principal. The clause in question had been in existence for a number of years, and in a good many cases not strictly insisted upon. It was said, as a general rule, agents did not give notice of the dispatch of sacks, and the evidence was that they did not realise the importance of doing so. It was, however, done latterly, and, if it was done sometimes, in the ordinary course of business it was fair to assume that such course of business was not burdensome. As a fact, agents who collected sacks had at some time to give notice of the dispatch when forwarding to their principals their bill of charges. Looking at the relation of the parties, the course of dealing, and approaching the contract from a business point of view, it was his opinion that the words must be read to mean notice must be given within fourteen days of the date on which they were consigned to the railway company for dispatch. If that was the true meaning he could see nothing unreasonable in requiring the consignee to give such advice as asked. He found, as a fact, that the clause was just and reasonable. Judgment was entered for the defendants, with costs on the higher scale.

In view of the foregoing every business house will be well advised to introduce such a system as will enable it to keep track of its chargeable and returnable empties.

Profit-Sharing in the Coal Industry

By JAMES A. BOWIE, M.A.

The first article, which appeared last month, explained the rather intricate arrangements made in the Coal Settlement. Mr. Bowie now subjects the agreement to critical examination, points out the important weaknesses which have aroused so much dissatisfaction among the miners, and makes constructive suggestions for its amendment.

2. The Coal Treaty : Some Suggested Amendments

THE Coal Treaty is no ordinary profit-sharing scheme. As commonly understood, profit-sharing implies the distribution to the employees of a pre-determined share of surplus profit after the payment of the full trade union rate of wages, and the scheme is applicable only to a single establishment. The present agreement in the coal industry differs from this in two important particulars. First, it takes as the unit for the purpose of calculating profit, not the individual business, but the district. Second, it does not make the profit-distribution an extra over trade union wages, but determines those wages according to the district profits.

This last point is so fundamental to an understanding of the possible epoch-making innovation embodied in the agreement that it is worth further emphasis. In the case of an individual undertaking the wages paid under collective bargaining by non-profit-sharing firms determine for it the trade union rate, but where the whole of an industry is within the profit-sharing scheme, how is it possible to find out what are the trade union rates of wages? The only wage fixed by the Coal Treaty is the minimum wage. This wage, as already shown, is a compound of three elements, viz. basis rates, plus district percentage, plus 20 per cent. The basis rates were the rates paid in each district at the time the sliding-scale was introduced. For

South Wales, Northumberland, Durham, and Cumberland this was in 1879, and for Scotland and the Federated Area in 1888. Upon these basis rates a varying percentage was paid in each district according to the fluctuations in the price of coal.

Now the basis rates did not remain stationary in all districts, otherwise there would have been no necessity for specifying in the agreement that "the standard wages shall be the district basis rates existing on the 31st of March, 1921, plus etc." These basis rates had themselves been altered to such an extent that the standard wage, to which 20 per cent was added to make the minimum (Clause 8), was not the wage paid in 1914, but at least 20 per cent above that, making the average minimum wage for the whole of the coal-fields some 43 per cent over pre-war. Thus the present minimum wages for Northumberland and Durham are respectively 80 per cent and 89 per cent above the basis of the year 1879.

But this minimum wage must not be identified with the ordinary trade union wage, and it is herein that the Coal Agreement differs radically from the normal profit-sharing scheme. The former takes the bold step of determining and adjusting wages according to profits. It is not a case of guaranteeing a rate arranged by collective bargaining and then distributing "largess" from any surplus that may accrue in a favourable year. It is a new method of wage determination.

The minimum wage as defined in the agreement is on the average only 43 per cent over pre-war earnings, and this was accepted by the Miners' Federation at a time when the cost of living was 119 per cent over pre-war. Is it likely that the miners looked on this as their normal trade union rate?

The truth is that neither party had the slightest inkling of the catastrophic fall in wages that lay in wait for the industry. This is testified to by Clause 11 (b), which begins: "In any district in which reductions in wages continue to be made after the first ascertainment," and by the fact that while maximum reductions were specified for July, August, and September, 1921, no mention was made of any possible reduction for October: when this became necessary special reference had to be made to the independent chairman of the National Board. It is, therefore, the case that the minimum wage was looked on simply as a necessary part of such an agreement: neither side anticipated that for many months in most districts it would become the actual ruling wage. The profit-sharing arrangement, it was anticipated, would intercede (as it has now done in most districts) and act as a buffer to keep wages from falling to the minimum. The Coal Treaty embodies, therefore, a new and specific method of regulating wages according to "what the industry will bear," and is therefore worlds asunder from the individual profit-sharing scheme under which trade union wages are paid plus a possible share of a problematic surplus of profit.

The District Basis

The cardinal merit of the Coal Treaty lies in the fact that wages and prosperity are automatically co-related. This we believe to be an excellent principle, largely because it destroys the possibility of eternal imbroglios between wage-payers and earners in that misty region

where economic ignorance, mere opinion, or unbelieving assertions hold sway. It substitutes measurement, publicity, and facts for mere asseveration. It gives the worker a direct inducement to study the economic organisation of his industry by pressing home on him the incidence of unnecessary inflation of working costs upon proceeds. Each pay envelope becomes an index number of the district prosperity. Hence each worker has an inducement to study, and to work for, the conditions on which that prosperity depends. Furthermore, it is to the fact that we have in the past permitted two antithetical methods of remuneration to subvert our economic, and consequently our social, unity that most of the continual bickerings and embroilments are due. This cleavage between profit-takers and wage-earners is partly obliterated in the Coal Treaty, and each party draws a wages-cum-profits remuneration. In brief, the present arrangement is the most hopeful and comprehensive experiment in industrial relations that has been made during the present century.

But the agreement is by no means perfect and its testing time is approaching. Up to the end of 1922 only the "temporary period" arrangements, and the subsistence and minimum clauses had actually been in general operation. With the January ascertainment of this year we see the prosperity-sharing clauses definitely beginning to function over most of the coal-fields. Once these have been long enough in action to reveal the great differences in wages they support, then will come the real searching test. The summer and autumn of this year will probably be that time.

When we examine the agreement closer we find ourselves confronted not with one profit-sharing scheme but with thirteen. Each of the districts is treated as a self-contained unit. This has meant that already a wide diversity exists

between the proceeds, and consequently the wages, in the several districts. Most of the districts as defined in the settlement are now above the minimum, but three of them, including two very important fields, show no improvement. The latter are South Wales, Lancashire, and Cumberland. The position can be illustrated by contrasting two districts.

In the case of the Eastern area, which embraces the coal-fields of Yorkshire, Nottinghamshire, Derbyshire, Leicestershire, Cannock Chase, and Warwickshire, for each of the last four months an advance in wages has been given. The January ascertainment meant an advance of 2.92 per cent, bringing the wages in that district to a point 15.61 per cent above the minimum.

At the other extreme stands Cumberland, where wages are still at the minimum and are likely to continue so for some considerable time. Not only have the proceeds failed to supply any divisible surplus, but they have failed to meet even the owners' standard profit, and, as the latter item is cumulative, it has to be met before an increase in wages is possible. The adverse balance at present stands at £208,000. It was the operation of this clause which led Mr. Walsh in the House of Commons on 13th December, 1922, to say: "In several districts the deficits were such that they could not be made up if the workmen sacrificed their wages altogether for six weeks. The effect of the arrangement really was to enslave the workers. The mine-owners did not put out three brass balls like those of the ordinary pawnbroker, but they had the workers in pledge more effectively than any pawnbroker ever had a client. The position was so bad in Cumberland that the workers there would be steeped in misery for years."

It is not necessary to agree with this characteristic revelation of labour

psychology to feel that some amendment of the agreement is called for by these circumstances. The miners have in the past stood for a continuance of the national as against the district regulation of wages, supporting this plea on the ground of "equal pay for equal work." While fully sympathising with the arguments advanced against the subsidising of the poorer districts by the richer, nevertheless we believe an exception could well be made under the present exceptional circumstances. If the districts earning a surplus were to combine to wipe out the adverse balances in the poorer districts, one cause of acute grievance would be removed by the partial application of a method which the miners themselves have persistently advocated. Moreover, some 83 per cent of these contributions would come from the miners themselves, and though the immediate recipients of this subsidy would be the owners in the poorer districts, it would enable the wages of their fellow miners to start on the upward grade without the handicap of having to recoup to the owners their deficits of standard profits.

This special emergency being met, an emergency due largely to "decontrol," it would be necessary to prevent its recurrence. Probably the best method of doing this would be to imitate the ordinary business by accumulating special reserves for this purpose in each district. Just as every sound concern is developing an increasing tendency to insure itself against industrial depressions by building up reserves in the good years, so the Coal Settlement, which relies on profit for its functioning just as any company does, must likewise gather together its reserves. Several of the more recent profit-sharing plans make provision for the setting aside of a certain proportion of profit every year as a Bonus Equalisation Fund. This feature could well be

imitated in the coal industry. If, say, in each of the districts, when surplus profit equals 10 per cent of the wage bill, 1 per cent was put to a Wage Agreement Reserve, and the first digit similarly in any additional percentage, we should have both a maximum and a minimum buffer against the extreme vicissitudes from which the industry suffers.

The Sub-Average Firms

The present arrangement, however, will operate not only to establish and maintain great differences in wages between district and district, but it will also bear very hardly on certain firms within each district. Indeed, it is true to say that most of the arguments used by the owners against a national wages pool apply with equal force against a district averaging of profits. From the point of view of the individual coal-owner the scheme is important only as determining the wages he is under contract to pay his men. Such wages are decided for him according to the district's capacity to meet them. But the ability of the particular colliery may be either much above or much below that of the district. If, for instance, Cumberland and Yorkshire had been included in one district, the former would have had to pay wages far above its capacity, and the latter, taking into account that its production is much greater, would have been let off with a wage rate considerably under what the industry could stand. But great differences in costs of production exist between firms in each district and for this the agreement makes no allowance.

Naturally these differences will develop in direct ratio to the increase in wages. It must be clearly understood that no individual owner is guaranteed any profit at all, but he is compelled to pay a certain wage depending on the district profit. To take a simple illustration, the average age of the 45,000,000 people in Britain

is about thirty, but this obviously does not mean that all the population are thirty years of age, or that they should be taxed as if they were. Nor does it mean in the Coal Treaty that every single owner actually reaps the prescribed profit, some no doubt will make huge profits while others will fail to make ends meet. Dangers exist in both possibilities. Already there are disquieting murmurs in the air. On the one hand, it is asserted that while the whole of the South Wales district—the most important in Britain—is still on the minimum wage, the anthracite region in the extreme west of this area is making very handsome profits in which the workers have no share. On the other hand, it is stated that if some of the older pits were compelled to fulfil the full wage obligations they would have to close down, and that already the Miners' Union has been forced to make concessions in such cases to secure the continued employment of the men.

All systems of averaging must inflict hardships on individuals, and the only question is whether the averaging is worth it. The defining of a district within which the average operates is only, at best, a sort of economic gerrymandering, the real unit is the single business. Now under the present plan the best collieries are stimulated to extend and develop, the less profitable ones are severely discouraged, and this, it will be admitted, is a sound economic procedure, and, indeed, a common one in most industries. What is unique is that the degree of stimulus or strain imposed depends on an averaging of profit as reflected in wages. The higher wages mount above the minimum the more intense must these become, with the considerable advantage that they will be co-equal. They will also be simultaneous. The only thing to fear is that the strain be too violent.

This process of the industry re-adjusting itself to the agreement will certainly produce serious friction, and very probably will lead to a renewed demand for nationalisation. As it is very unlikely that the latter be granted, the hope of peace must rest on the removal of every possible *casus belli*. It would, therefore, seem desirable to supplement the district wage-scheme by individual profit-sharing plans designed to fit more closely the actual ups and downs of the real economic unit—the single business. Now it is not desirable that this should take the form of a further cash addition to wages, as it would merely exaggerate the present wage variations, and second, would not meet the case of the sub-normal firms which had no surplus to divide. What is desirable in such cases is that the miners should share not only in the surplus profit but also in the standard profit, and this can be achieved only by encouraging the men to take up shares in the undertaking.

Is Proprietary Control the Remedy?

The best method of achieving this is by "contributory co-partnership," and its application will be rendered the more easy by the very conditions that make it necessary, namely, high wages. The actual ownership of capital plus the responsibility it involves would be the most effective form of nationalisation, and is, indeed, necessary to insure that the large measure of industrial control at present exercised by the miners through the National Board and the District Boards should be a real, nourishing force. For control without ownership is dangerous, as we have seen time and again in the case of the trade unions and of the Government. The present Coal Treaty is the sixteenth agreement in the South Wales coal-field in forty-six years, and it is urgently necessary that this state of continual bickerings between owner

and miner should be ended. Can it be ended in any better way than by obliterating the distinction between owner and worker?

Common possessions mean common interests, and common interests a common point of view, and the coal industry is being tested for this on the question of hours. There is no sign of unanimity, indeed the omens indicate a pitched battle. How different might things be if the miners had acquired some degree of *proprietary* control over the industry which controls them. The miner would then be faced with the simple alternatives of choosing either the extra remuneration or the extra hour's leisure. Similarly, with nationalisation and other plans for pooling resources, the only right attitude is the responsible one, and until the miners feel that sobering sense they will continue to evolve fancy schemes for the disposal of other people's property.

The Future of the Treaty

For the Treaty to succeed, therefore, it must not be treated as sacrosanct and final but only as a first experimental step along new methods. So far this was recognized in that joint boards of management were instituted in each district in addition to the National Board, and provision thus made for conciliation machinery. Arrangements were also made for what in practice amounts to arbitration by the provision for the appointment to each board of independent chairmen, to whom, failing agreement, disputes were to be referred. While this machinery is well devised for securing the application and interpretation of the agreement, it does not make arrangements for that periodic overhaul to which all treaties in an ever-moving world ought to be subjected. Apparently the only direct method of securing revision is for one side or the other to give the requisite three months' notice

to terminate the agreement (Clause 12). This is a clumsy and provocative procedure. The coal industry is characterised by extreme booms and depressions, and a Coal Parliament ought to be held at least biennially to revise and if necessary amend the Treaty.

Only if this be done are the mellifluous claims made by the ex-Premier likely to be fulfilled. We were promised peace, harmony, and co-operation, yet during the year 1922 there were over 150 disputes involving stoppages in British coal-mines, and this was more than double the number in any other industry. It is only fair to add that this is no new record for the coal industry. The miner has long been known as the doughtiest fighter in the industrial field. Even in 1913 there were 163 disputes that involved stoppages.

If the basic soundness of the present scheme be rendered fully operative by adaptation, then we may be in sight of a permanent alliance in this much disturbed industry. The agreement has been the shortest cut through a period of extreme depression. Wages were drastically reduced, coal cheapened, and

unemployment kept within limits, and already the miners are reaping their reward. This may not have been a pleasant experience, but it was a salutary one.

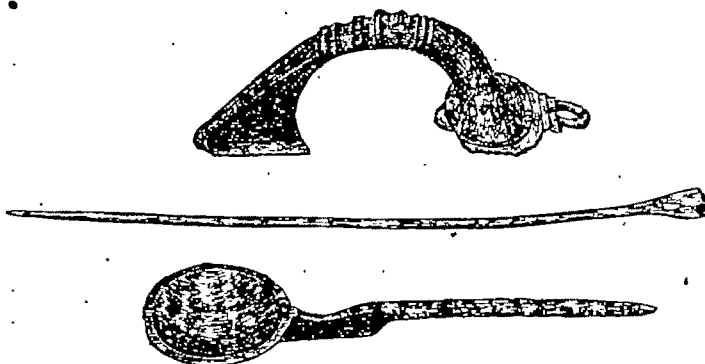
The beneficent effect of the agreement on employment is obscured by the apparently contradictory assertions of the two sides. The owners maintain that more men are employed to-day than in 1913, the miners' leaders that there are 60,000 totally unemployed. Both statements are true. The apparent inconsistency is explained by the fact that over 100,000 extra workers were recruited into the industry during the war. This over-supply, largely of unskilled labour, had to be precipitated from the industry during the lean years, and to this the unemployment has been due in great measure. The coal industry has not suffered even from short time—its characteristic form of unemployment—to anything like the same extent as other industries.

What the agreement has achieved in the past it can achieve in the future if periodically amended to fit the new conditions as they arise.

(Concluded.)



Why Go to Egypt?



WHILE public interest in Tutankhamen's tomb continues unabated, we are reminded of our own buried treasures at home. Interesting discoveries have been made at Keynsham, near Bristol, where the first of Fry's new chocolate factories is rapidly approaching completion. Only just recently, three little articles of a delightfully domestic character were found. We give an illustration of them. One is a Roman needle, about 6 inches long. Another is a spoon which originally must have been of perfect shape. While the most interesting is a bronze brooch, evidently the finishing touch to the toga of some Roman gallant.

The Legal "Infant" as a Shareholder

By A. G. BURTON

A lucid summary of the many sound reasons which make individuals who have not reached their majority undesirable as shareholders of joint stock companies.

ALL who are connected with the management of limited companies agree that the legal "infant" must be kept out of such concerns notwithstanding that there is no law that restrains infants from being members. It may, therefore, be asked what injury or inconvenience is brought to joint stock companies by infant members. Before this question can be answered, it is necessary to learn something about the capacity of infants to enter into contracts.

The Infants Relief Act, 1874, provides that all contracts entered into by infants for the repayment of money or for goods (other than necessities) and all accounts stated with infants are absolutely void, but the Act does not invalidate any contract that an infant may enter into by statute or by the rules of equity or common law except such as were voidable at law when the Act was passed. It provides, further, that no charge shall be brought upon a promise made after full age to pay a debt contracted during infancy or upon a ratification made after full age of a promise or contract made during infancy.

Among the voidable contracts that can be entered into by an infant are those for the acquisition of shares either from a company or through transfer, so that an infant may be a member, and even a director, of a company. Nevertheless, his contract with the company places the latter in an uncertain position as to his

liability to pay calls, and its liability to repay money already paid by him. This uncertainty about an infant's contracts to take shares arises from the fact that such contracts are not void but voidable at his option, and that a contract continues to be valid until he repudiates it. The power to repudiate persists not only until he comes of age but until a reasonable time thereafter. What is a reasonable time depends upon the circumstances of each case, but the power to recover money paid goes if an infant member receives benefit from the shares.

An infant member is, therefore, an undesirable member, not because his membership is illegal, but because it is uncertain. He may be one of the signatories of the memorandum of association, although such a memorandum would not be accepted by the Registrar of Joint Stock Companies if he were aware of the fact. It is not, however, the duty of the Registrar to inquire whether or not the signatories are of full age, and a certificate of incorporation would not be invalidated if it were discovered after its issue that the memorandum had been signed by an infant.

It has been settled law for a long time (*Hamilton v. Vaughan Sherrin & Co., Ltd.*, 1874) that an infant allottee may not only repudiate a contract to take shares but may demand repayment of the amounts that he has already paid to the company for the shares, providing that he has not

taken any benefit from holding them. The repayment of such amounts does not reduce the capital of the company but only the amount of issued capital. If, however, directors allot shares to a person whom they know to be an infant, they are guilty of misfeasance. In a frequently cited case, a director who procured an allotment to his infant children of shares in a company that went into liquidation afterwards was ordered by the court to indemnify the company for the loss sustained by its inability to enforce payment of calls from the infant allottees. Moreover, an adult cannot escape liability for calls by getting shares transferred into the name of an infant.

Refuse Transfers to Infants

The articles of association of most companies empower directors to exercise discretion with regard to transfers of shares, but sanction of transfers to infants ought always to be refused, especially if there be a liability on the shares. Whilst the shares are in the name of an infant, he is entitled to all the benefits that accrue to members and is exposed to all the liabilities, e.g. payment of calls. If he repudiates a contract to take a transfer of shares, the transferor is restored to his former position in the register of members, and is always liable for unpaid calls whether or not he was aware, at the time of the transfer, of the infancy of the transferee.

On learning that a transferee is an infant, the company or a liquidator may set the transfer aside only if it does so promptly, but it cannot do so if the

infant transferee has been allowed to transfer the shares to an adult and the company has accepted the new transferee. If the company or the liquidator neglects to make a claim against the transferor after knowledge of the infancy of the transferee, the transferor is released from liability.

Right of Repudiation

The right of the infant shareholder to repudiate his contract for the acquisition of shares persists in a winding up, and a transfer of shares may be treated as a nullity by either the infant or the liquidator. In spite of his power to repudiate even in a winding up, an infant is a contributory within the meaning of Sec. 124 of the Companies (Consolidation) Act, 1908, and may, therefore, present a petition for winding up. He is, however, debarred by the Companies (Winding Up) Rules, 1909, from being appointed as general or special proxy.

It has been held that an infant may repudiate a sale as well as a purchase of shares. Protection ought, therefore, to be obtained from a court of competent jurisdiction in order to get an entirely valid transfer of the shares.

The key to all the difficulties regarding an infant as a member of a company is that his contract to take shares, either directly from the company or through transfer, is not void but voidable at his option. Until he exercises the option to repudiate, his membership is valid, but his right to repudiate ends on his coming of age or within a reasonable time afterwards.

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Wellington, New Zealand.

L. J. RETALLICK.

Self-Organisation for Business Men

VI.—The Acquisition of Ideas

By MORLEY DAINOW, B.Sc. HONS. (LOND.)

Director of the London Institute of Applied Psychology

By concentration, observation and memory you can effectively use things and facts. To master things and facts completely you must gain their secret. Each thing you experience is made up of qualities, properties and attributes, such as, for example, size, weight, colour, shape, make, brand, price, value, use. Each fact you learn emphasises these qualities. To understand them you must pull them out of their things; you must abstract them. This is the beginning of thinking. The qualities which you abstract are called ideas. By means of ideas you become clearly aware of the relations connecting things, of the laws binding things together, of, for instance, a body of laws, relations and things, as Business. Right Thinking develops such knowledge into Power.

1.—Ordinary Meditation or Reflection

(a) *Reproductive Meditation*

SIT back in your armchair. Take your mind away from the surrounding objects. Reflect upon any personal incident you like. You ruminate: "On Saturday, 7th April, I am due at the Brown's to dinner. They live at Hampstead. How long will it take me to get there? What can I take them? I wonder if Percy K. Z. Lee (a mutual and very interesting friend) will be there." Now stop your ruminating and turn to me.

Memories have followed each other in your mind. They were: a date; a dinner at a friend's; where they reside; duration of journey there; a present; another friend. Why did these items follow each other in this order? What principle, for instance, bound Hampstead to Brown? You will easily be able to answer this. The principle was association by contiguity. The items followed one another in this manner in your reflection because some time before they had been experienced together. Your meditation had been purely reproductive. It had only reproduced to-day what you had experienced some time previously.

(b) *Productive Meditation*

Let me suppose, however, that instead of reflecting about the Brown's you suddenly had in your mind "Percy K. Z. Lee" and pondered over his initials, thus: "Initials are P. K. Z. L. Initials stand for names. What's in a name? Is there any relationship between names and character? Character! can it ever be judged by an impression? Shall we ever be able to classify faces so that at a glance an expert will be able to state whether any particular man is suited for a post or not? I must set about classifying faces of people I know, and then see if I can guess what is true about new faces, faces of people I meet in the future."

It is possible that such items were never experienced by you before in this particular order. One point followed another in your mind owing to some principle of connection (or association). There is only one other principle of association besides contiguity, and this is similarity. One item followed another item because there was something similar in each. You were not aware so much of the similarities connecting the points

in your reflection as of the points themselves. But the general result was that you were contributing a new development to your own knowledge. You were not

reproducing something old. You were productive. You were producing something new.

2.—Selective Meditation or The Start of Thinking

In either case so far you have been mentally following an inner lead. You were, however, not conscious of any effort of attention. Points came to you, whether by contiguity or by similarity, and you simply followed them. But if you now *deliberately* take up again the question of character and faces, picking it out from other of your subjects of interest, *you are performing a selective activity*; you are conscious of an effort, you are attending.

But to what are you attending? You are attending to two subjects: character and faces, and you are trying to find out whether there is any relation between them. You cannot decide this unless you know much about character and much about faces. You must know what makes up character and what are the points about a face. You must concentrate on the *inner* qualities of each. You are now therefore on the road to thinking.

3.—The Coming of Ideas

(a) *The Thing and its Meaning*

In reflection and in perceiving you are concerned with things. You turn from Brown to Hampstead or from character to faces, and your mental activity in each case is concerned with a thing, a *whole* thing. But what is Brown? What is Hampstead? What is character? What is face? Each whole thing is a different thing. Brown is a friend; Hampstead is a place; character is a part of the self; face is a part of the body. You are now concerned rather with the qualities of the things than with the things themselves. These qualities make up its meaning. When you perceive and when you reflect you deal with whole things. You deal with that which you can see, hear, touch. Brown, Hampstead, the character of a man, the face of a man are objects that can stimulate your senses. They are therefore concrete. But when you take any one of these concrete objects and consider its qualities, that is its meaning, you are turning away from the concrete. When you take Brown into your mind and ask yourself: "If Brown is a friend, what does this quality friend contain? Of what is it made?" You

are now no longer dealing with the concrete object, Brown, but with the qualities, the inner parts of friendship, such as: affection, understanding, sympathy, loyalty, patience, companionship, common tastes. These qualities make up the meaning of friendship.

(b) *Taking Hold of Meaning*

These qualities were pulled out by you as a result of many experiences of friendship. You had discriminated (or found differences) between various friends and friendships you knew and read of. You had compared (or found agreements between) various friends and friendships you knew and read of. The qualities were abstracted from concrete experiences. They may therefore be called abstractions. But they are usually called ideas. In each thing you perceive, in each thing about which you reflect, many ideas are contained. When you deal with the things as whole things, and only incidentally with their meanings or ideas, you are only using your senses, your perceiving and apperceiving; but *when you deal directly with their meanings, when you pull out the abstract qualities contained*

in, things, you are using mental powers greater than perceiving and apperceiving, *you are using conceiving and understanding.*

(c) *Turning Perceiving into Conceiving*

Conceiving is the mental power by which you deal with ideas. It is the first step in intellectual progress. To turn perceiving into conceiving concentrate upon any two similar objects or persons; contrast them by noticing

differences in qualities; compare them by noticing agreements in qualities. You thus become more clearly aware of their hidden qualities, of their meaning, of what is abstract, of the ideas embodied in each. You turn from the concrete, the objects, that which you can handle, with your senses, your body, to the abstract, the meaning made up of ideas, that which you can think, with your intellect, your mind.

4.—Shaping Ideas or Thinking at Work

(a) *Identity and Difference in Ideas*

The ideas, or meanings, of things both differ and agree. They have difference; they have similarity. When you can find this out you can find out the relation between the ideas. All the time you are doing this, you are thinking.

(b) *Getting Down to Essentials*

To find a relation between character and faces take each separately. What is character? It is a part or a power or an aspect of an individual self by means of which he possesses morality, reliability and moral courage—to mention only a few qualities. What is a face? It is a part of a man's body by means of which he performs certain vital and professional activities and it contains two parts: the features and the expression.

(c) *Method of Analysis*

What have I been doing? *I have been cutting up the whole things, "character" and "face," into some of their parts.* I have been taking from the concrete, part of its abstract meaning. Another word for such a process is analysis. I have been analysing two things, and as a result of my analysis, have abstracted, or drawn out, certain ideas about each thing. I was able to do this because *I, in common with all human beings and animals, can notice differences.* In a face, for instance,

I can easily notice the difference between the features and the expression.

(d) *Method of Synthesis*

Whenever an analysis is being made, a part of a thing is chosen and put into a place in the mind. For instance, you can cut a cake into four equal parts and pull out one. Each such part you call a quarter. How do you know? Because from many years' experience you have learnt the fact that if any object is divided into four equal parts, each such part is called a quarter. You are now labelling this part. You are calling it a name—"quarter." You are putting it into a class of things you know—"quarters." You are now building up, not analysing down. *You are building together, or connecting or finding a relation between the thing you see, a part of the cake and the idea "quarter."* This is the opposite of analysis and is called synthesis.

(e) *Analysis and Synthesis Must Work Together*

Analysis and synthesis always take place in right thinking. That to which you attend must be broken up, mentally, into its parts, and the parts must be put into their classes.

Character can be broken up into certain parts. One is the power to act in accordance with high ideals. This is labelled

in the class of ideas, "morality." Another is to act nobly in a crisis when nobody is present. This is labelled, in the class of ideas, "reliability." Another is to act in obedience to the highest ideals against powerful authorities. This is labelled, in the class of ideas, "moral courage."

A face can be broken up into certain parts. One is that which is always seen. This is labelled, in the class of ideas, "features." Another is that which is only frequently seen, but not always. This is labelled, in the class of ideas, "expression."

To think rightly therefore you must be able to: (a) pick out the ideas in a thing by differences (analysis); (b) classify these ideas by agreements (synthesis).

QUESTIONS: SET VI

(NOTE.—No answer should take more than seven minutes or be expressed in more than seventy words.)

1. How can you turn perceiving into conceiving?
2. (a) What is Thinking?
(b) Describe the two methods in thinking that must always be present?
(c) Give one illustration of what you mean.
3. What processes must you perform to help you to increase your ideas about, say, two typewriting machines—the Remington and the Underwood—or about any two machines you know?
4. What advantages does a worker who thinks, possess over an able worker who works only by "rule of thumb"?
5. (a) Write down some qualities of character.
(b) Write down some qualities of a face.
(c) Do you think that character can be judged by face? If so, why? If not, why not?
6. (Optional.) Is there any business problem to which you can bring no more ideas? If so, you may state it briefly and receive guidance.

Answers to these questions, enclosing a stamped addressed envelope, should be addressed to Mr. Morley Dainow, c/o BUSINESS ORGANISATION AND MANAGEMENT, 39 Parker Street, W.C.2.

Answers to Correspondents

Apperceiving to Understanding.

R. E. W. (Lewisham).—To train apperceiving into understanding you must try all possible associations; you must select from them the suitable ones.

Association.

E. E. C. (Hull).—This is not the union of perception and imagery. It is the union of all pictures, sounds, names, qualities and thoughts, that *in the past* your mind has made about any particular thing, say "Wesleyanism." Association is the pattern in which apperceiving expresses itself.

Attention, the Bridge.

D. M. H. (Richmond).—Attention is likened to a bridge because by means of it the percept (or that which is now perceived) passes over into the mind, and past knowledge (or former percepts or apperceiving) takes over the percept, thus interpreting it.

Memory and the Daily Task.

E. E. C. (Hull).—When a task, however large, has to be performed daily, *frequency* is brought into play, and hence memory is considerably helped.

Mnemonics.

S. G. L. (Newton Heath).—These should only be used in connection with unrelated details, *and only* when a more rational method (such as complete understanding) is impossible.

Order in Memory.

A. W. (London, W.14).—The order connecting items to be remembered must be based upon true logical principles.

Remembering Reasons.

R. G. (Longtown).—In trying to remember many reasons boil them down to one, the most vital of all. Then take all possible aspects of this master reason. You will find that the remaining reasons will now fall into these aspects.

Sense Helps Memory.

F. H. K. (Cheltenham); S. J. L. (Newton Heath); B. M. (Burnham), C. W. T. (Stockport).—A complete sentence is always easiest to remember because it contains sense (and sense is meaning or logical principle).

Senses.

F. H. S. (Nottingham).—A sense does not merely receive a message from without, it takes it up to a brain centre and, as a result, the mind perceives.

Thought and the Obvious.

K. A. B. (Hampstead).—To remember reasons, do not connect them so much by obvious bonds as by *bonds of thought* specially made by analysing the reasons.

True Learning.

B. M. (Burnham).—You seem to learn by absorbing facts wholesale. This is of course very useful indeed. But please try to express these facts in *your own way*, thereby showing you are bringing into play *your own ideas*. This is true learning.

Understanding and Association.

D. R. H. (Halifax).—The understanding of an idea cannot be efficiently performed unless *all* the important associations have been brought up.

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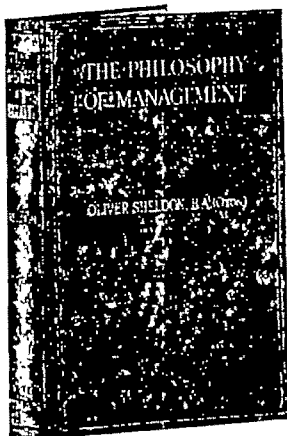
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Efficiency in the Office

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By "VIGILANS"

THE question often arises as to whether correspondence and business papers generally which ultimately find their way to the vertical file should be filed in separate cabinets or series of drawers allocated to the classification under which the papers fall, such as general correspondence, sales matter, purchases, contracts and germane papers, and so on.

In a large organisation this problem generally solves itself by the simple reason of each department deciding to retain and care for its own papers within its own suite of offices, in which case a departmental filing clerk is responsible for them. Where, however, all correspondence is centralised in one common filing room segregation under departmental headings is useful and promotes smooth working, because the filing of each department's papers may be delegated to individual members of the general filing staff, and each is enabled to work on his own series of drawers or cabinets without getting in the way of others, thus avoiding confusion and overlapping. But there are circumstances in which, while the volume of matter to be filed may be large, it is at the same time only enough to keep one clerk fully employed, and in such an event there is much to be said for filing it all in one section, free from segregation, different coloured folders being used to discriminate between the papers proper to each respective departmental heading. That is to say, general correspondence might be filed in buff coloured folders, salmon colour employed for purchase matter, blue for sales, and so on. Reference

would be made in the first place by name or number, as the case might be, irrespective of whether the desired papers are general, or sales, or any other matter, when, having arrived at the right filing section, only the folder coloured appropriately to the subject matter would be extracted.

Advantages of Sectional Filing

The advantages of such a plan under the conditions stipulated are: (1) Economy in the number of guides used, as one set or sequence of these answers for the whole of the correspondence as against the many sets of guides necessary when the correspondence is separated; (2) a possible saving in the number of cabinets required, since segregation makes it impossible to allocate drawers to each section of matter without to some extent wasting space, some being fairly full while others are half empty; (3) concentration of reference to one position, either alphabetic or numeric, as distinct from the moving about over a larger area involved in the use of separate cabinets for each classification. In elaboration of (1) it may also be said that the use of fewer sets of guides saves space and liberates more actual room for the actual filing of papers, which, and in connection with (2), may mean all the difference between requiring, for example, say six drawers for the papers instead of eight. Particularly where space restrictions exist (as dealt with in the March issue) is the matter worthy of consideration. It results in the utilisation of the full capacity of the cabinets, and delays the need for extension.

Economical Filing: A Useful System

I would mention that in connection with the matter of employing to the fullest extent the whole capacity of a cabinet, the "Pelham" filing system of Messrs. Boots Business Systems offers many advantages in this respect. It is a variant of the scheme of filing by which the sub-division is made by christian or second name of the firm giving the title to the folder. The "Pelham" system is elastic because as the secondary guides are not obligatory in every main alphabetic section, they may be discarded where the volume of correspondence so localised does not merit it, the principle of the scheme being that they are only inserted where necessary. This optional insertion or elimination in no way affects the numeric check on misfiling. It thus shows an economy in space. Only the minimum number of guides necessary to effective working need be installed in the first place, the facility remaining for the judicious augmentation by means of further secondary guides when necessary. Further, the secondary guides may be had in sets of five or nine, whichever appears most suitable from the number of names under treatment, which gives the user the option of beginning on the smaller scale and proceeding to the larger as occasion demands.

The New Manilla Folders

- Economy in filing space is largely assisted by the use of the reinforced manilla folders now on the market. This is a type of folder the back flap, or projecting portion, of which is strengthened at the top by a double thickness of manilla. It is this part of the folder which receives the brunt of the handling, and as this is strengthened the life of the folder is considerably prolonged. Hitherto the maximum of durability has been achieved by using a thick, heavy-weight material for the body of the folder,

capable of standing the strain in the case of bulky or frequently handled correspondence. It has, however, the disadvantage of taking up, in bulk, a considerable amount of room, with a consequent reduction in the folder capacity of any given filing space. The reinforced folder, on the other hand, consumes no more space than the ordinary light-weight manilla folder, the added thickness being at the top of the folder only, while possessing the durability of the heavy-weight by reason of the reinforcement at the handling point.

Use a Sorting Tray

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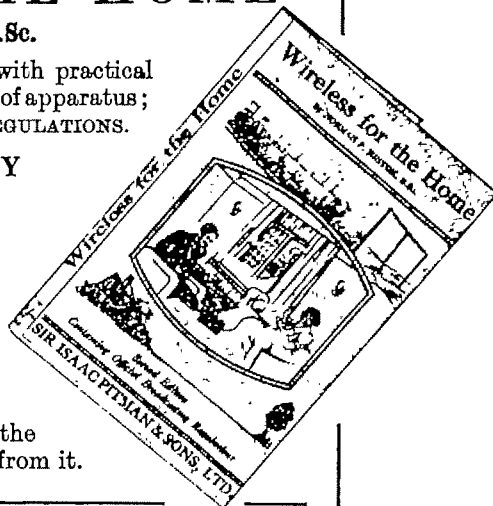
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from A to Z. Again, it is much easier to sort out the letters as they spasmodically occur throughout the day than it is to do so when they have assumed large proportions.

The "Out" Guide

Another important accessory to smooth work on filing is the "Out" guide, again a little device whose use is rather neglected, although the circumstances which called it into being frequently recur. A folder is taken for reference from the file to a distantly located department; before its return either another individual requires it, or it may be in demand for the purpose of inserting a newly received letter. Unfortunately, folders have an unhappy knack, once they have arrived in another department, of remaining there an inordinately long time, long enough in many cases for the filing clerk to forget who is holding it. The "Out" guide, as its name implies, is a guide on the projecting tab of which is printed in bold letters the word "OUT." Its surface is printed with columns headed Date, Name of Folder, Department Holding, and Date Returned, respectively. On a folder being sent away from the file the particulars are filled in, and the "Out" guide inserted in the place of the extracted folder. Thus, should the folder be in demand again before its return to the file, its present location is automatically indicated, without any reliance being made on a possibly faulty memory. Another advantage of its use is that by constantly signalling the absence of a folder, or number of them, the filing clerk may frequently and easily approach the respective departments with a view to getting the folders back to their proper place without undue delay.

For and Against the Clip

A certain fear of loss appears to be responsible for many managers insisting

that all letters are clipped in the folders, and accordingly every folder, irrespective of whether its contents are bulky, is so fitted with clips or binding attachments. On the other hand, there are many who go to the other extreme and refuse to use them at all. But there are two points to consider. A clip or binding attachment certainly tends to security against accidental misplacement of any individual paper, although under the usual conditions the insertion of papers loose into a folder is rarely attended with disastrous results. It certainly prevents the easy extraction of a letter for some particular purpose, with a chance of it being ultimately difficult to find, but it is questionable whether the extra labour involved in punching every individual letter received and securing it in a binder (a lengthy process where there is much filing to be done, as it practically doubles the amount of time spent on the task) is really justified as a provision against a contingency which does not occur as often as people may think. However, it is as much a mistake to discard them altogether as it is to insist upon them being in every folder. A certain number of binding attachments should feature in every installation. They are an essential where a large number of letters occur from any one firm, as much as an insurance against papers falling out of a folder as from considerations of space and neatness. The compressing effect of a binding attachment insures more papers being filed in the folder, and preserves a certain degree of tidiness impossible where they are loose and, because of their number, inclined to jump up towards the top of the drawers; but in the case of folders not so well filled the papers will normally lie well without the aid of a binder. Used with the discrimination suggested they will assist reference and save the time of everybody concerned.

(To be continued)

Finance for Business Men

By OUR FINANCIAL EDITOR

Capital is a sensitive plant. At a clumsy touch it withers and disappears underground. The path of the financial reformer is therefore beset with snares. How easy it would be to do infinitely more harm than good by ill-considered legislation directed against abuses is admirably shown by our contributor.

The Bonus Share and the Stock Dividend

THE eternal question between capital and labour is being as vigorously prosecuted to-day as it was in pre-war days. We appear at the moment to be in possession of breathing space—a sort of temporary and mutual agreement between the opposing parties in the direction of a truce, following a deflation on perhaps the largest scale in history. Yet we still find the capitalist interests urging the cry that the “economic wage” has not yet been reached; and on the other side labour contending that far too great a proportion of profit is returning to the service of capital. The most unfortunate part of the never-ending dispute is that neither faction can be persuaded to look through the highly magnifying spectacles used by each in turn to discern the other’s shortcomings.

Financial practices directed towards expansion appear to be condemned wholesale by the voice of labour, and while there may be certain points in these practices obviously open to criticism, yet on the other hand, as part of the system of capital on which modern civilisation rests, it is difficult to see how these certain points, or questions, can be obviated. That the “points” concentrated on by labour have been subject to abuse, will perhaps hardly be denied by the thinking capitalist himself; but abuse of certain items or conditions in a great world-organising system, is no argument for the destructive tendency. The bonus share and the stock dividend is a point on which the interests of capital appear to have laid themselves open to the charge of lacking a due sense of proportion; yet if we glance at the motive behind the much-criticised

operation of materialising undivided profits through the medium of the bonus share and the stock dividend, the objective appears certainly reasonable, if not essential—provided the process be not repeated on, let us say, the gigantic scale of the later war years and up to the summer of the prosperous year 1920.

Danger of Restrictive Legislation

Few will deny that were it not for the habit and practice of re-investment trade and industry would speedily come to a standstill. If in a private undertaking the total of profit made by that undertaking over the trading year be taken out from the business, obviously the business cannot progress, and if the process be continued year by year the scope of the business will decline. The same is true, and to a substantially greater measure, of the big joint stock company with ramifications that may cover the control of a score of subsidiaries. The return of a measure of profit made to the business is essential if a high state of trading activity and justifiable expansion are to be continued. A business is like the world we live in—it cannot stand still. The bonus share and the stock dividend are but a materialisation—a book entry to show that re-investment of profit has been carried out. The extent to which such re-investment has been carried out will, of course, reveal to the student of balance sheets whether over past years excessive or moderate profits have been made, and clearly provides the real point on which labour should join issue with capital, rather than direct its invective, or perhaps we might say “inveighing,” against the somewhat nominally objectionable bonus share or stock dividend. From the purely economic point

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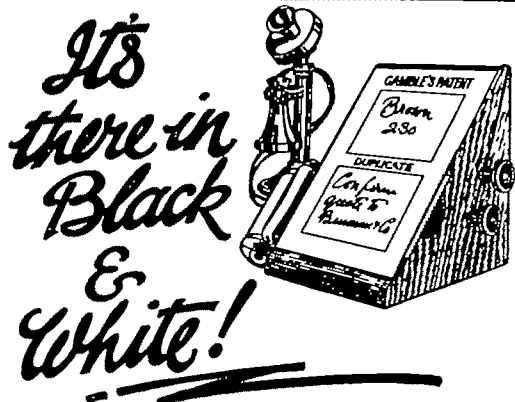
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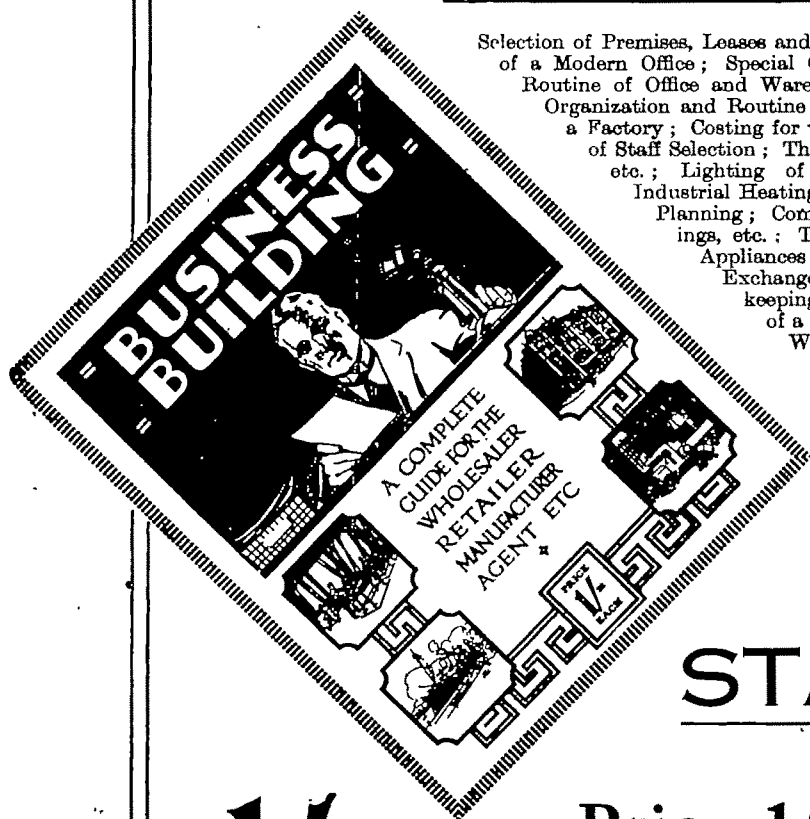
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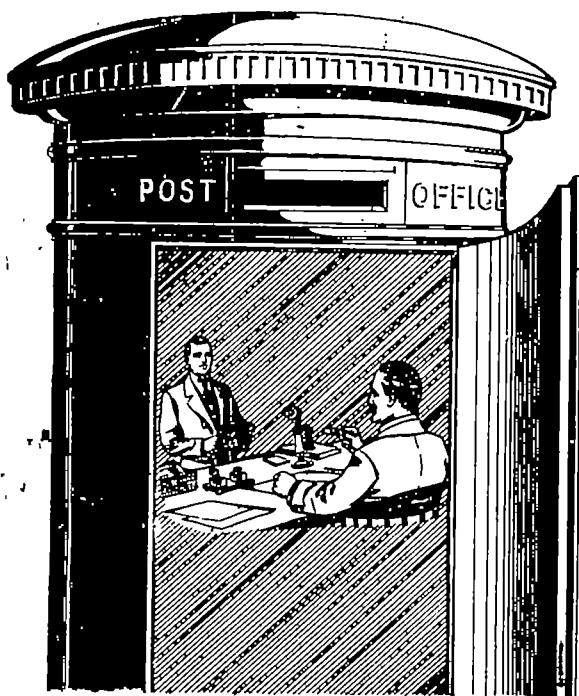
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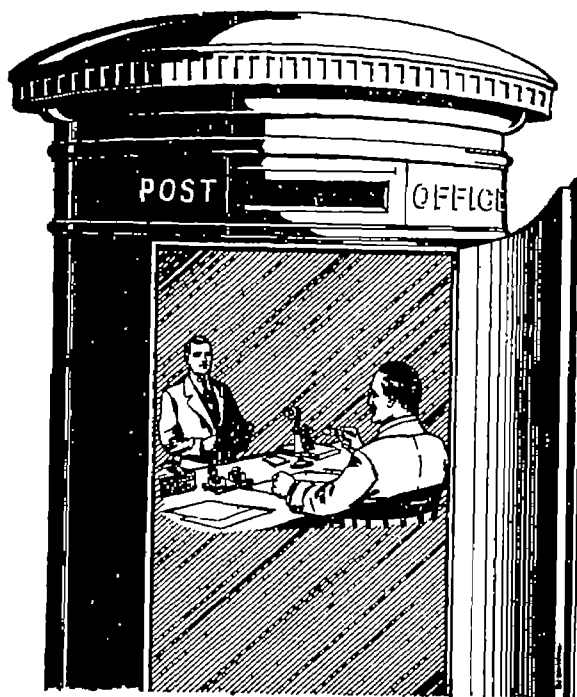
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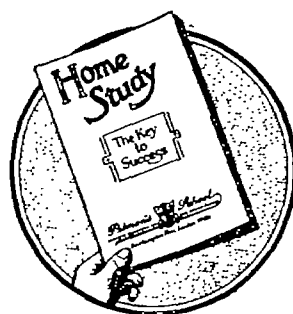
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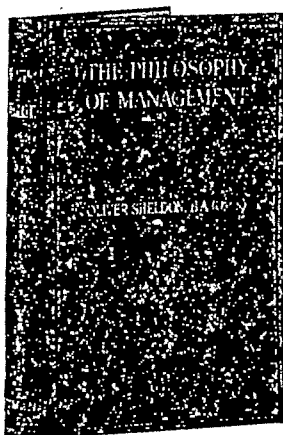


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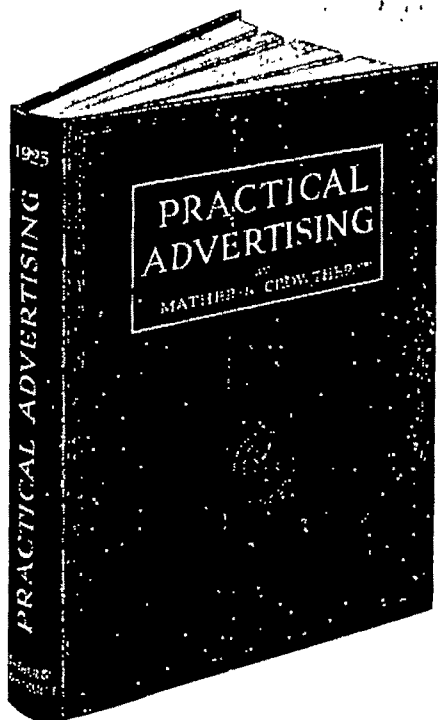
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Gerrard 856.

Vol. VIII.

MAY, 1923

No. 2.

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Notes and News

Fire Losses in Trade Depression

THE boom in American trade follows two years of deep depression, of which perhaps the best proof is that the fire insurance companies suffered losses in America in 1922 exceeding \$500,000,000. At least one-half of this is said by the American underwriters to be due to arson. Over here we know that heavy fire loss accompanies bad trade, but, so far, we have risen to no such national catastrophe as the one recorded in the American figures. People say of fire loss that it does not matter, since the companies pay. But these payments do not alter the fact that the country as a whole is \$500,000,000 poorer by this destruction of wealth. It is the same thing whether the insurance companies or the owners of property pay the loss: the country is that much down.

* *

Manufacturing Boom in America

We are told that, owing to the wretched state of the permanent way, the American railroad companies are handicapped in moving the freight arising from the new manufacturing boom, and that already

Published on the 1st of each month by Sir Isaac Pitman and Sons, Ltd.

Price 1s. per copy; post free, 1s. 3d. Subscription Rate, 12s. per annum, post free.

For Advertisement rates, apply direct to the Advertisement Manager, Pitman House, Parker Street, Kingsway, W.C.2.

Contributions are invited, but MSS. should be typewritten, and include a stamped addressed envelope for return if unacceptable.

there is a weekly freight traffic equal to that of an ordinary autumn season when the crops fall to be moved West. If the present conditions continue there will be real trouble when autumn comes along. It looks as if the Federal Reserve Bank has at last discovered that the vast hoard of gold lying in its cellars in Washington is intended by nature to form a basis for credit operations on a large scale. If it has, then the whole world is up against the toughest proposition in the way of American competition which it has ever had to face. America will become a real exporter—unless the crazy Fordney Tariff checks the impulse. For people cannot export unless they can import, and Mr. Fordney bars the import gate.

* *

British Trade Position : Incubus of Over-Capitalisation

Usually when trade goes booming in America there is a favourable reaction on this side. Undoubtedly our trade position is improving, but a lot of *débris* in the shape of over-capitalisation requires to be cleared away before a real start on a new basis can be made. We cannot understand why limited companies hesitate to write down their share capital where it is not represented by actual assets. They go on from year to year carrying a big debit to profit and loss, and very likely inflated stocks, which render it out of the question to hope for a dividend. After all, whether a company writes down its loss by reducing its capital or not, it makes no difference in its real assets as represented by buildings, stock, and machinery. Our strong advice to every company is to tackle this situation boldly and clear it up once for all.

* *

The Crisis in British Agriculture

If it be true, as many economists hold, that the only real increment in the world's wealth from one year to the next is derived from the conversion of the nitrogen

in the air into the product of the soil, then the present agricultural crisis in this country is a matter for the most urgent consideration by business men. During the war, the difficulty of importing grain rendered it necessary to increase home production. This was achieved by forcing the farmer to break up his grazing land, which was valuable, and convert it into arable land, which was not. He was compensated by subsidies paid under a Corn Production Act, and he made so much money that in many thousands of cases he bought his land from his landlord and is his own freeholder—a full-blown yeoman.

* *

Selling Price Anomalies

Now he appears to be ruined. In South Lincolnshire he is selling potatoes at 17s. a ton, for which the consumer is paying $\frac{3}{4}$ d. a pound, or £8 8s. a ton. He is selling wheat for a song, although the poor man who eats bread is paying 9d. to 9½d. for a 4-lb. loaf. If he tries dairy farming, he gets 1s. for two gallons of milk, which the retailer is selling since 1st April at 6d. a quart, or 4s. for the two gallons.

* *

Why the Problem Concerns Manufacturers

Manufacturers cannot understand too clearly that the deplorable position of the farmer—whether through his own pig-headedness or not—is one of the prime causes of their present depression. The product of the soil, being the only real increase of wealth from year to year, sets the wheel of trade revolving. The farmer must sell his crop. Apparently, he sells it for money. In fact, he sells it for what the money will purchase—boots, shoes, clothes, furniture, groceries, and the thousand-and-one commodities money can buy for himself, his wife, and his children. If the crops fail, or if the price leaves him no margin, then the farmer is out of the

market as a purchaser and, to that extent, trade depression follows. Export trade with countries where agriculture is flourishing may go on, although agriculture may be in a bad way at home. But the foreign countries can only pay for our manufactures by sending us food and raw material, thus further and unavoidably depressing the markets for our own agricultural producer. The whole problem is one from which manufacturers cannot be excluded. Neither can trades unionists, seeing that they are the chief consumers of food. But it is a strange thing that inquiries into the state of agriculture are usually left to experts unacquainted to any extent with the problems of the towns.

* *

What the Experts Advise

Such an expert's report has just been published officially, signed by Sir William J. Ashley, Professor W. G. S. Adams, and Professor D. H. MacGregor. The basis of their recommendation is that farmers should enter into large co-operative associations for marketing their products and buying their raw materials, fodder, manures, machinery, and so on, a system which is carried to perfection in Denmark and, under Sir Horace Plunkett's enthusiastic leadership, was reaching perfection in Ireland when the "troubles" intervened.

Given such associations, the State

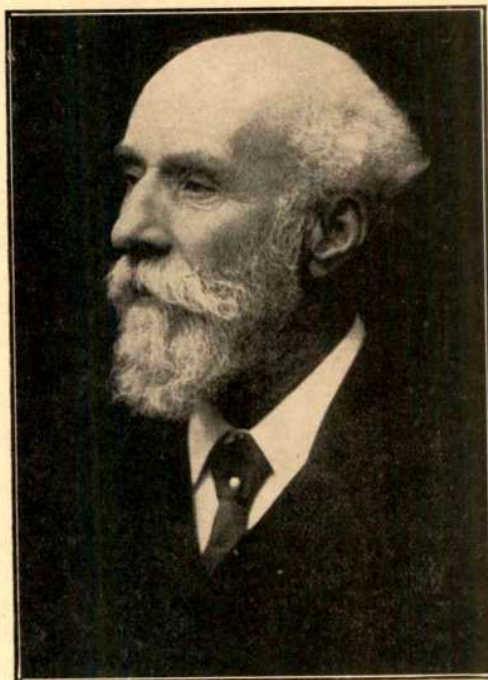
might extend credit facilities for the erection of necessary buildings and plant. These credits would be of long term. But even short term credits from bankers to assist in the purchase or sale of commodities might also be arranged through the collective credit of the associations.

Our readers will see at once how such credits would advantage what we call Business. Naturally the experts demand an immediate and material reduction of railway rates, seeing that such a thing is possible as the return to a farmer of not more than five shillings cash from 5 acres of cabbage sent to town markets! But when the experts ask the Government to pay 25 per cent of the railway carriage if the railways will not reduce it, then we are outside practical politics.

* *

Startling Proposals

Next, the farmer is to be let off half his rates. A miller who exports wheat and other offals is to be made to pay a 10 per cent export duty, and no one may import flour without bringing in 25 per cent of offals to 75 per cent of flour. The experts advise a duty of 10 per cent on imported barley—which ought to raise the price of beer to the townsman—and a duty of 20s. per cwt. on imported hops, with preference to the Dominions. Imports of foreign potatoes are only to be permitted under licence. Beet sugar, grown here, should be exempt



F. ROVO

LORD JOICEY

Russell

The millionaire coalowner who began life as an office boy, celebrated his business "diamond jubilee" last month. He is president of Newcastle Chamber of Commerce, and owns more coal mines than anyone else in the North of England.

from sugar tax. Imported produce should be marked as far as possible with the country of origin. Wages boards for the men should be set up in every area. And so on, and so forth.

* *

Could Limited Companies Make Agriculture Pay ?

Although it is impossible to exaggerate the importance of agriculture and the necessity of making sacrifices to maintain it, all this goes farther than the country is likely to accept. Before import duties and markings and all the rest of it are legalised, we have a right to ask the Farmers' Unions, now spread all over the country, to consider the possibilities involved in a State grant of credit facilities and to work loyally on that line. Agricultural education on a wide scale is another point on which the State could make financial concessions. Is it not the truth that farming, to be commercially successful, should be conducted by limited companies holding not less than 100,000 acres each ? The small shops cannot fight the stores. Neither can the farmer on a small scale fight foreign competition on an associated footing. It must be fought not by such defence as the experts outline, but by bold and vigorous attack.

* *

University Scholarship for Cadbury Employees

The most recent practical illustration of the fact that "Big Business" is not wholly indifferent to the value of education, as is roundly asserted by the professional teachers' associations, is afforded by the action of Messrs. Cadbury Bros., Ltd., of Bournville. This well-known firm have just instituted a scholarship, to be awarded every three years to one of their employees, to enable the holder to take a university degree course qualifying him for a responsible industrial or commercial position. The scholarship is to be open

to any member of either the factory or the office staff who joined the firm before reaching the age of 16½ years. The firm will endeavour to find the holder of the scholarship a responsible position in their own organisation at the end of his period of training, and, if he so desires, they will release him from their employ after three years' service.

* *

The Miners' Welfare Fund

A great social work is being quietly accomplished for mining communities by means of the Miners' Welfare Fund. It is the one outcome of the Sankey Commission as to which there is no controversy. Coalowners and miners are in complete agreement as to the value of the work which has been made possible by the charge of 1d. per ton which is now levied upon the coal production of Great Britain.

The modest contribution provides the means by which contributions from the central fund enable valuable research work as to the dangers of coal dust and other causes of accidents in mines can be carried on in the interests of the safety of the worker ; while the local funds are used for the development and carrying into execution of schemes to improve the social amenities of mining communities, the health of the workers and their families, to widen their mental outlook, and to brighten their lives by the provision of technical instruction, games, recreations, and sports.

In a normal working year such as 1922, the coal production of Great Britain aggregates some 250,000,000 tons. A contribution of 1d. per ton on this output yields an income of £1,041,666 13s. 4d. By the terms of the welfare scheme this income is divided in the proportion of one-fifth for national research and work of a kindred character, and four-fifths of the income goes to the district from

which it has been raised, and is expended by the local committee in the carrying through of welfare schemes. The local committees, which are composed of representatives of the coalowners and the workers, consider and decide upon the best use which can be made of the available money, and when they have agreed upon their plans, these have then to be submitted for approval to the central committee.

There is no unnecessary or irritating interference with local wishes on the part of the Central Committee, which gives whatever advice and assistance may seem to be of value in the carrying through of a proposed scheme.

* *

Economical Administration

The Central Committee have expended to the 31st of December last on deep and hot mines research, safety lamps, experiments, coal dust research at Eskeams Experimental Station, £12,000. There was at that time a balance in the local funds of upwards of £435,000, to which will shortly be added the £833,000, so that there should be a considerable extension of these welfare schemes. There are now some 216 schemes in operation, and £505,504 was expended on them last year. The available balances are invested in Treasury "bills," so that they are interest-bearing until such time as the

money is required to finance welfare schemes.

There is one other thing on which all concerned may feel a justifiable pride—that is the modest amount of the administration expenses in connection with these schemes. The whole of the adminis-

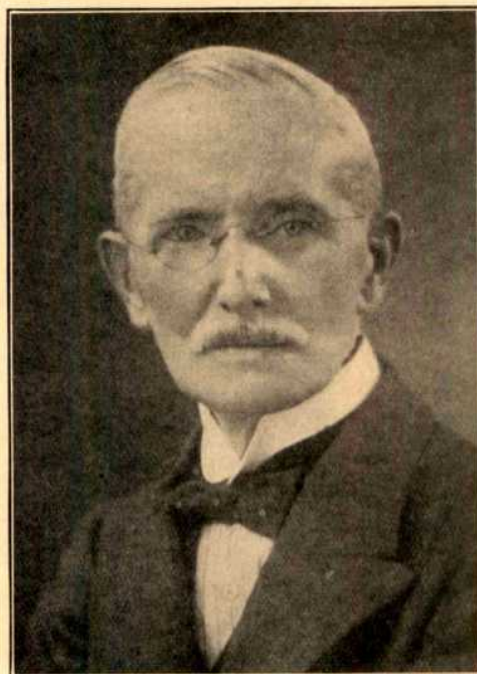
tration expenses have so far amounted to £3,936 13s. 3d. The central expenses are borne by the Mines Department of the Board of Trade. Altogether this welfare work has justified itself by what has been accomplished, and it carries the promise of even more fruitful results in raising the social amenities of mining communities in the present and coming years.

* *

Special Publicity Number

We are all advertisers in greater or less degree, and therefore every business man is

keenly interested in the problem of how advertising can be made to pay. In this special publicity number a serious attempt has been made to advance the solution of this all-important problem. Our readers will, we believe, appreciate the several valuable articles which discuss commercial publicity from so many interesting points of view, and particularly from that of the advertiser, and if they are convinced that the publicity side of business is more vital to success than they had previously imagined, and resolve



Portrait

Carlton Studio

MR. JOHN CHESHIRE

Managing Director of Lever Bros., Ltd., and President of the Thirty Club. Mr. Cheshire will head the British delegates who are leaving for America on 26th May to invite the Associated Advertising Clubs of the World to hold their convention next year at the British Empire Exhibition.

that it shall receive greater attention in future than in the past, then the purpose of the writers will have been achieved.

The Supreme Selling Force

As a business nation, while we are in advance of most of our continental competitors in the uses we make of publicity, we are notably behind our American rivals, and it is significant that they are the most to be feared in the markets of the world. The Americans have never made any secret of their profound faith in the power of advertising; they regard it as the supreme selling force. If we do not always agree with some of their advertising methods, we pay them the tribute of imitation in many others. If, as now seems exceedingly probable, the Associated Advertising Clubs of the World hold their next year's convention at the British Empire Exhibition, advertising as one of the mainsprings of business enterprise will receive a notable impetus in this country. Great efforts are being made by the Thirty Club to ensure this result, and the articles which we publish in this connection by Sir Charles Higham, our most representative advertising man, and by Mr. Wilson-Lawrenson, a leading American publicity expert, will be read with very great interest. A party of about 100 British business men leave for America on the 26th May to invite the Convention to London, and the most confident hopes are entertained that they will be successful. Advertising as a

profession and advertisers as a body have everything to gain from such a reunion of world publicity experts, and the British Empire Exhibition would certainly reap great advantage from it.

A Good Business Budget.

General satisfaction is expressed in business circles at the Budget, which fulfils all reasonable expectations and will certainly enhance Mr. Baldwin's reputation for sound finance. The only surprises are of a negative character, many people being of the impression that there would have been some reduction in both the amusement tax and the sugar duties. However, the Chancellor has chosen to ignore the women's vote, and men get the benefit. The concessions to business opinion are considerable, and they should undoubtedly facilitate the further recovery of trade. The wholly unfair corporations profits tax is petering out, and will go altogether, it is hoped, next year "unhonoured and unsung." The income tax reduction is a further welcome relief, while the reductions in postal and telephone charges will be of very great benefit. Now that beer is to be cheaper, the prospects of an early reduction in the price of tobacco appear somewhat more hopeful, and if revenue fulfils expectations during the coming year and the reduction in expenditure continues, we predict that there will be a strong agitation in favour of some remission of the tobacco duties in the next Budget.



The Problem of Selling

All about Next Year's World Advertising Conference in London

By SIR CHARLES HIGHAM

If the influential delegation of British business men shortly to visit America succeed in their mission, the Associated Advertising Clubs of the World will hold their next convention at the British Empire Exhibition. What this great Publicity Convention would mean to British manufacturers and workers is vividly suggested by Sir Charles Higham in his terse and vigorous contribution.

IN my judgment the two most vital economical problems which confront the world at this moment are transport and selling. Both move the wheels of business, and without them there is stagnation and unemployment.

I leave it to those who know more about transport than I do to say how that problem might be solved, and goods moved more quickly and cheaply to where they are needed.

In this article I am concerning myself with the problem of selling. We see a great deal in the papers nowadays about the problem between capital and labour, and variegated solutions which labour offers to the world as solutions of its own particular problems, but labour either knows nothing about, or pretends to know nothing about selling.

The Crux of the Problem

It is not a difficult problem to take capital, labour, machinery, and raw material, and make them into a finished article, but when that finished article is ready for consumption by the world, how to get it where it is wanted at the least cost and sell it in competition with the rest of the world is of vital interest to everyone.

In the United States every year there is a conference held of the selling brains of America. The organisation which calls

these conferences together is known as the Associated Advertising Clubs of the World. In practically every American city to-day there is an advertising club, and this club is composed of all the representative people in each city who are interested in the problem of how to sell economically.

These conferences are attended by five or six thousand delegates from all over the United States, with usually one or two visitors from foreign shores.

About a year ago the "Thirty" Club of London (an organisation consisting of a representative man in every branch of publicity) decided that it would be to the advantage of Great Britain if the selling and advertising brains of the world could meet in London, to find out what each country wanted, and how to sell to those countries in the most effective and economical way.

The Invitation to London

The writer of this article had the honour of going to one of these conferences held at Milwaukee last year, and inviting the Associated Advertising Clubs of the World to hold its annual conference in London in 1924. The idea was enthusiastically received.

Early in this year, Mr. F. A. Wilson-Lawrenson (as Chairman of an Investigation Committee elected by the Associated

Clubs) came to England to see if it would be an advantageous move to hold this great conference in London in the summer of 1924. He returned to America thoroughly convinced that it would be, and has so recommended it.

On 26th May, there will sail, on the *Berengaria*, from this country 100 representative Englishmen engaged in the business of advertising and selling, who will attend the conference of the Associated Clubs at Atlantic City, and try to convince the delegates assembled that London should be the next place of meeting.

I have no doubt that they will be agreeable, and if so, at the British Empire Exhibition next year we shall see the largest and most comprehensive gathering of the selling brains of the world that has ever been gathered together. Representatives will come not only from our Dominions, but from all countries of the world.

An Eye-opener for the British Manufacturer

It will be of great advantage to the English manufacturer to know the point of view of those who buy in other countries, and it will give him an opportunity of learning how other countries sell their products. It will, in my judgment, be an eye-opener to the British manufacturer.

The committee which is inviting this American deputation to come to England

is one of the strongest ever gathered together in this country.

The interest taken in this conference is indicated by the fact that Lord Rothermere (proprietor of the *Daily Mail* and other leading newspapers) and Sir Edward Hulton (proprietor of the *Evening Standard* and other leading papers) have both contributed voluntarily £5,000 each towards the cost of the entertainment of the delegates.

Labour's Opportunity

One of the most striking advantages which I think will result from this conference in London in 1924 is that the Labour leaders will be able to attend, and will find out what is done to sell the finished article after capital and labour have made it, and will have a better understanding of the need for brains in industry as well as hands, and the working man will probably discover for the first time that he really gets more money out of the finished article than anybody else. This will be all to the good.

As I said at the commencement of this little article, transport and selling are the greatest problems before the world, and the more labour understands them the better they will enjoy the prosperity which comes from easier, quicker, and more economical distribution of commodities.



LET IT HELP YOUR FRIEND

"Helpful to all who are in any way engaged in business or factory organisation, and who desire at the same time to be in touch with progressive minds and new ideas."

Co-partnership (April) on "BUSINESS ORGANISATION."

Successful Advertising

From the Point of View of the Business Executive

By WM. H. SESSIONS

*Fellow of the Incorporated Society of Advertising Consultants ;
Managing Director of The Ebor Press, York*

Not all advertising fulfils expectations; in fact, a great deal deserves to fail. It is poorly planned or feebly conducted, and not infrequently the service behind it is unsatisfactory. The writer of this article gives the head of a business valuable advice on advertising policy, and how to plan a publicity campaign so as practically to eliminate the element of uncertainty and give the utmost possible assurance of success.

ADVERTISING is undoubtedly one of the most difficult problems in business, a problem not entirely solved either by calling in the outside advertising expert or by the foundation of an advertising department under an experienced and efficient advertising man.

These are helps—in the hands of the right advertising man they are material helps—but if the business executive does not appreciate his part in the solution of the advertising problem some of the effect of even the best advertising is lost.

The reason for this is that advertising is not just an extra item of business expenditure, not just a department of business activity, but it is so interwoven, so interlocked with the health of the business itself that it must be considered in the closest relation to all the various activities of the business.

The difficulty in many businesses, even those with an efficient advertising department or having the help of experienced outside advertising men, is that on the one side there is a head or a board of directors who know but little of the technical side of advertising, and on the other an advertising expert, who, fine man though he may be in his own speciality, knows but little of the problems of executive business management as applied to the business in question. Where the two appreciate fully what each can

contribute to the solution of the problem of advertising all is well. Where this is not the case, then advertising effort will result in waste.

Plan Your Advertising Campaign

It should be remembered that although advertising is put down in the business accounts as an expense, its results are more akin to those of an investment, rather than an annual expense. Because of this the most important point to remember in advertising is that it should be entered into on a definite plan. Poor and crude advertising worked on a definite plan has a far, far better chance to succeed than the most brilliant worked by fits and starts.

Advertising planning falls under seven main heads, involving a close and detailed investigation covering the whole activities of the business.

1. What to sell.
2. To whom to sell.
3. What the customer really wants to buy.
4. The amount to spend.
5. The methods to use.
6. What to say.
7. How to back up the advertising.

Because the investigation is so intensive it is helpful to put down on paper the conclusions reached under the different headings.

1. What to Sell

The answer, at first sight, is the goods or service sold; but even this simple answer raises problems, for few firms can advertise every item sold.

If some have to be selected, what should be selected to advertise? In this connection the most fruitful question is "What is done better than competitors?"

The answer will naturally be very varied, but the following are examples: The manufacturer will select those lines for which he is perfectly equipped. The largest retailer in a town would rightly reason that he had the most varied stock and advertise that fact, whilst the wise small retailer, on the other hand, would select some speciality in which it was well within the range of his buying ability, show space, and capital to do really well, and push that speciality.

The Value of Specialisation

I am convinced that more attention might well be paid to this point of specialisation in advertising, for it is remarkable how other lines sold will benefit from the advertising of one, whilst the advertising will gain in point and efficiency from being concentrated on the one item at a time.

Perhaps the best example of this is that until recently the large cocoa firms advertised cocoa and not chocolates, and yet their cocoa advertising helped them so much to sell their chocolates that most people would have been greatly surprised a few years ago to have been told that they had never seen an advertisement of these firms' chocolates in the papers.

A consideration of the advertising of competitors is useful here, not to follow or to fight them, but rather to avoid them by striking out in a different direction which they are neglecting.

Certain financial problems may come in too, as, for example, the shop-keeper whose business is developing faster than

his capital might find it paid him best to advertise lines on which he had fairly long credit.

The manufacturer with some of his plant already fully occupied might find it better financially to devote his advertising to lines which used plant working at half capacity.

Filling Up the Trade Gaps

Do business men fully appreciate the importance of advertising to fill up gaps? Those gaps of half-used plant in the factory, or half-idle days in the shop, of quiet times of the year in both, of periods of bad trade?

It was an American store which found that Monday was its worst day, yet, by judicious use of the Sunday papers, Monday was turned into the busiest day of the week.

Then take the difficulties of a seasonal slackness of trade. If a sales or employment chart was made of the results of many years, it would probably be found that the main mass of interlacing lines will dip and rise with periods of the year. At certain regular periods in almost every year overhead charges swallow up profits, and some workers are on short time. Where such gaps exist, either seasonal or through general depression in trade, every business executive ought to set himself the problem of filling up those gaps and of using advertising as one of the means of doing this.

If advertising was purely philanthropic it would only be undertaken when trade was bad and stop when trade was good, and thus the unemployment valleys in the chart of trade would tend to fill up and the overtime peaks to lower. On the ethical side, certainly advertising ought to be carried on during times of bad trade. What about the practical?

Speaking from actual experience, I do suggest that the wisest course is to advertise and put the very best into

advertising when things are quiet. Trade is wanted most of all then, whilst the new connections thus formed, together with the increasing volume of regular trade, will keep the advertiser busy enough without much advertising when trade improves.

Look at the cost of overhead charges running on in times of bad trade. Surely it is better to spend money in advertising than in dead overhead charges—better for the present, much better for the future of the business, and very much better indeed for the workers.

An Advertising Policy for Bad Times

This advertising perhaps should not be quite the same as in more prosperous times. The business man has to live more on his wits in bad times. This is a term more usually employed of the sharper and the cheat, but it is advisable to put forward all the ingenuity and brain power possible in honest business when there is a period of bad trade.

Look to the possibilities of new openings for goods, for this may bring advertising clear of competition—a point of especial importance at a time when competition for the diminished volume of orders reduces business to the ruthless, selfish law of the jungle.

It is indeed well, where possible, to get outside competition, to get beyond the advertising which is merely getting the other man's customer. Competition

has to be met, and it is well for the general efficiency of business and the world in general that there is competition. At the same time, there is much to be said for the firm who in times of bad trade strives to advertise something which makes two blades of grass grow where one grew before, rather than struggle for the blade of grass already there.

It is not everybody who has the good

fortune to stumble across or think out something new or some distinct improvement in an old method, but even here there may be possibilities hidden away in a business, if it is delved into deep enough. It is the experience of every business that there are some people or districts who use what is made or sold very much more than others; if all the customers used what was sold as largely as these the trade of the business would be greatly increased, and this without taking away customers

from competitors. From an ethical standpoint, this is the finest sort of advertising, and it is also the finest sort of advertising from the profit standpoint too. Therefore, go carefully into the possible uses of the goods sold in advertising planning.

These suggestions show that the problem of "what to sell" requires the careful and skilled attention of every business executive; and the advertising will be all the more fruitful and effective if the various aims and purposes it is to serve have been carefully thought out.



Portrait

Catcheside, York

MR. W. H. SESSIONS

2. To Whom to Sell

Advertising should be directed mainly at the largest groups of customers in point of sales or potential sales.

To advertise to a certain section of customers may secure some orders, but the return will be too small for the expenditure—whereas to devote advertising to those groups of customers who are the most natural users of the goods sold is most likely to give the best return. If I may illustrate this fact from my own business, the advertising of Eupax Seals pays best to those trades who are for ever putting up packages—grocers rather than tailors, food manufacturers rather than shipbuilders.

There is another point worthy of attention by the business executive. Augustine Birrell, discussing Direct and Indirect Taxation, summed it up in his pithy way thus: "To secure his money the Chancellor of the Exchequer must tax the wealthy because they have so much and must tax the poor because they are so many." A manufactured article can often be elaborated to appeal to the fewer wealthy or be cheapened to appeal to the mass, and it may be helpful to remember this "Birrellism" when planning the details of a new line.

Advertising does give the means of selecting the customers and full advantage should be taken of this fact.

3. What the Customer Really Wants to Buy

This seems easy—but it is really a difficult problem and one which is often overlooked in business, in spite of it being of such importance.

I am a printer—and one of the best day's work I ever did in my life was when I realised that my customers did not want printing. From the time I realised that my printing was not wanted, I began to sell more. That may appear strange, so let me explain. A trader gives me an order for, say account forms. What does

he really want? A means of getting in his money. If a tin of treacle would get the money in better, never an account form would he buy. He gives me an order for some advertising booklets. What does he really want? Not the booklets, but an increase in sales. I may think I am selling account forms and booklets, in reality I am selling a means of getting in money and a means of increasing sales, and should therefore look at my work from that angle and not as mere production of printing.

This point in advertising is nowhere better illustrated than in gas and electricity advertising. No one wants gas, as such, a vile-smelling, poisonous thing. No one wants electricity, as such, a mysterious thing that gives us shocks. What is wanted is the light, the warmth, the cooking of food, the driving of machinery.

Hence it comes about that, although the supply companies are selling gas and electricity, they never talk much about the thing they sell, but they talk in their advertising about what is really bought. "Radiant heat," "Turning night into day," are their slogans.

Get the Customer's Point of View

Take the case of a man who is selling easy chairs. He calls it a chair, he is interested in how it is made, the technical details of its frame, its upholstery, its covering; but what *the user* wants is some lasting wear, some decent appearance, but, most of all, ease and rest after his day's work. The man may be selling a chair but the user is wanting to buy comfort and the seller must not let himself be so wrapped up in the technical excellence of his chair that he forgets its main purpose of comfort.

It is not possible to over-estimate the importance of thinking out carefully what the customer really wants to buy. It is not only a great help in planning

advertising, but it is a great help in the general business as well. If what the customer is really wanting to buy is kept in mind all the time a finer perception is gained of his wants, his requirements are better met, and more attention is paid to his real needs. So the little acts of smartness and service, which add appreciably to the goodwill and trade of any business, will be more highly developed and custom will be more permanent, for such careful study of actual needs is appreciated. It smartens up the whole outlook of the staff, the business executive, and the firm's policy.

4. *The Amount to Spend.*

Because it has a definite aim advertising must therefore be worked on a definite plan and not be haphazard expenditure. Now it is not possible to plan without knowing how much is to be spent, and 1. "What to sell" is a most important factor in deciding how much can be spent in order to secure the results desired? It has been worked out that on average a luxury trade can profitably spend at least 5 per cent of its turnover on advertising, whilst a necessity trade can well make use of 2 per cent.

Financial details will also need considering here. A firm which has just extended its business will have to spend more than one who only has a few gaps to fill up, and no business man starting out in business or extending should neglect to put aside some of his capital for advertising expenditure. One with little spare capital or idle machinery will not want to spend so much as where there is a reserve of capital or machinery lying idle or a shop half used waiting that investment in the business which comes from increased trade.

Most important, too, is the question what saving will be effected by increased sales. For example, if 25 per cent increased sales will mean but little

increase in overhead charges, more can be spent on advertising, because the cost will be paid by the saving in these overhead charges. Then, too, the point of possible savings through improved and mass production should also be considered.

It is wise not to plan out the whole of the money put aside for advertising, but to leave some for "stunts" to meet a special opportunity. A large district, for example, may have its spending power suddenly increased by special work, such as the recent battleship orders to the Tyne and Mersey, a Budget change may take place, or some other event bring a special opportunity for a successful increase in advertising in certain directions.

5. *The Methods to Use.*

The business executive will find his advertising expert or department more useful here, but this part of the problem should be considered in the light of the conclusions already reached.

Keeping at it tells better in advertising than making a big splash, with a long interval before the next. Just how frequent advertising should be depends upon the business concerned. Any business dealing in daily necessities can advertise all the year round. Others have to follow seasons—but advertising should be planned so that there is not too long an interval between, for the effect of the previous advertising must not be allowed to wear off.

In planning times of advertising it should be remembered that where the desire to buy has to be created advertising must be well on the way before the time to buy arrives. Take furs, for example—a lady can do without furs, yet she always obtains much pleasure as well as warmth in wearing them. It will pay to work up her sense of pleasure in advance of her actual need of this warmth

—then a cold snap will be but the finishing touch bringing her in to buy.

"What to sell" will in a few cases decide the matter, as for example, where coloured or delicate illustrations are essential; but the real item to consider is "To whom to sell."

After all, the merit of any method—newspaper, magazine, direct advertising, poster, rail, tramway, or any other—depends entirely on how the method reaches the people wanted to be reached, and all methods must be critically considered from this point of view.

6. *What to Say.*

This will be usually carried out by the advertising department, but if a business executive does set out to write his own advertisements he will find the warning helpful that it is proverbial amongst advertising men that the man who will talk most excellent advertising copy when face to face with his customer, will write the most stilted and almost useless copy when he sits down to write an advertisement. This is because when he is face to face with his customer the customer's needs are uppermost in his mind, whereas, left alone, those technical details which take up so much of his business time rise naturally to his thoughts.

Every detail of the goods sold is known to the business executive—often too well known indeed for him to be interesting to his customer, so let him forget these details and concentrate on "(3). What the customer really wants to buy."

If he thinks of the customer and his needs the technical details will drop naturally into their right place and only appear as they fit those needs, or as they help the customer to come to a decision.

7. *How to Back Up the Advertising.*

This point is vital to the success of any advertising scheme, and it is one which

lies directly within the province of the business executive to see carried out. A manufacturer, before ever he starts his advertising to the public, must see that the public can buy his goods readily at the shops, and that a reserve of stock is ready for repeat orders.

If the advertising aims at securing direct sales he must see that the reply is worked out for the enquiries which will come in, that samples are ready to go out with this reply, if they are needed, that there is sufficient stock in hand to give prompt deliveries, and also that replies are efficiently followed up where no orders result.

Retailers must see that the shop window is dressed with the goods advertised; that customers can find them at a handy counter.

In short, advertising must be used as an addition to the selling service and not as something apart and standing by itself.

All travellers or agents should know about what is being advertised, as well as correspondence clerks. If regular customers are not likely to see the advertisement and it happens to be a special offer, these should have a special intimation, so that they can feel that they are being given the advantages offered to new customers.

Indeed, whilst on the subject of existing customers, it is well to remember how important it is to see that the opening orders which come from advertising are turned into permanent custom, and that existing customers' purchases are checked at regular intervals to detect those whose trade has fallen away or stopped altogether.

The business executive who has these points brought under his personal review in some concise form will be able promptly to stop the serious damage which a tactless correspondent or a discourteous traveller can do to even the best firm.

Repeat Orders bring Advertising Profits

It should be remembered that advertising rarely pays for its cost on the first order, but that the profits of advertising most often come from repeat orders. Indeed, a successful advertisement may have every appearance of failure and loss, because it may only secure sales totalling to, say, 10 per cent of the outlay from an advertisement, yet repeat orders on this 10 per cent, coming several times a year and for many years, will turn what appeared to be a loss into a handsome investment.

This point should be kept very much in mind in advertising. The lack of doing this has caused "cold feet" in many cases, and has been the means of making people stop advertising, when really had they continued it they would have found that their advertising was paying them very well.

The beginner in advertising is too apt to see the wonderful results of the advertising of the big firms, who have indeed grown big through advertising, and to compare them with his own meagre immediate results and to drop out of advertising, thinking it has some mysterious nature largely dependent on luck. This has actually been done when advertising was paying well, considered in its true perspective of the return over a year or two of trade.

The Real Secret of Success

There is no mystery and but little luck about advertising; it is careful planning, keeping at it, and following it up which pays.

If this point is appreciated it will be seen how enormously important is the question of the second order. Enthusiasm should not be exhausted on the advertising which has gained the first order, nor must subsequent advertising take up so much attention that there is

no time to follow up properly what has gone before.

While advertising very largely secures the enquiry or the first order, it is only the real quality of the goods or service sold which can back up that advertising and make it a continued and a growing success. Hence the same study of the customer's needs, which produced a successful first advertisement, should be continually employed to hold securely both new and existing customers.

Second Order the Acid Test

Above all, it should be remembered that if those customers who have sent a trial order can be induced to order a second time the greatest step has been made towards creating permanent custom and permanent increase of business.

The test of the value of the goods sold lies in the second order, it is the keystone of the permanency of the increase in trade, hence it is well to adopt as a selling motto: It is the second order that pays.

If the use of these seven points is appreciated it will be seen that such planning means hard work and hard thinking, most of all; it means getting a firm grip of every detail of the business and also of its broad policies and future possibilities; it means a careful study of the customers' needs; it means, too, an investment of a certain sum of money.

But it also means an increasing enjoyment in business; the steady improvement of details as they are studied; the delight of building up and planning out the future, a plan which is not just an ideal, but one at which there is steady aiming all the time and which, whether success is slow or fast, should eventually succeed; and finally, if successful advertising means spending money, it also means bringing in a good return for that money and also for the other much larger sums invested in the business.



Service First

By L. M. BARMAN

London Manager, Roneo, Ltd.

A SHORT time ago I read an account in the Press of an address given by a well-known business

man, in which he said that the majority of manufacturers of office appliances were only concerned with the selling of their goods and were completely indifferent as to the needs of the customer using the device, or the difficulties that might be encountered during its use.

I am somewhat surprised to find such statements creeping into print in these days: we know that twenty or thirty years ago this statement might have been true, but I think things have changed since that time. All makers of office appliances must realise the necessity of rendering service if they wish to sell their goods and I think that they are beginning to realise that it is the one important thing about their business, and if they don't they had better sit down and think it over.

I have the honour and pleasure of being associated with a company whose first and last thought is that of service at whatever the cost, and when an indictment like the one referred to above appears in the Press I feel called upon to refute it most emphatically on behalf of that company.

There is a new conception of business

ideals abroad to-day, and business firms realise that obligations lie behind the selling of goods; the principle of each for himself is thoroughly outworn and belongs to a remote past. It is no longer a distinction to amass vast wealth if nothing but the bare exchange of goods for money be made, and soon this will be impossible.

The Roneo ideals of service are no new thing; they have been in force ever since the business came into being nearly twenty-five years ago, and each year sees an enlargement of their scope. This science of service is pursued methodically and not at haphazard.

When a machine is sold a system is set in motion which ensures that the customer receives periodic visits from the service department, and this is also supplemented by service enquiries through the post when a questionnaire is submitted to customers to fill in. By this means contact is maintained between each customer of the company, and an exchange of views helps to cause a feeling of goodwill between them as many letters of appreciation testify.

In addition, the customer is invited to make suggestions as to how the service can be bettered, and feels that the firm is keenly anxious to interpret his wants in every way possible.

In conclusion I should like to point out that in no matter what kind of business enterprise one is engaged it is well to remember in these days that service, satisfaction, and goodwill are inseparably bound together.

Peak and Valley Sales

By J. WILSON-LAWRENSON

Chairman of the On-to-London Committee in New York

One of the leading publicity experts of America, Mr. Wilson-Lawrenson lately visited this country to consult with the Thirty Club regarding the arrangements for holding the great World Advertising Convention in London next year. He does not waste words; as an advertising man he knows their value too well. But he is a master at putting much in little, and his short article will well repay the study of every advertiser and sales manager.

BUSINESS is a complicated process, but nevertheless there are only three main phases of it. Two of them are scientific and are charted just as you chart a course across the Atlantic. The third phase, however, is how to deal understandingly with the first two phases.

The Real Problem

The first phase is finance, and that is charted from A to Z. The second phase deals with manufacture, and that also is charted from A to Z. The third phase, however, is the real problem. Here the question is: "How can I, with such and such an amount of money, turn it into more money for the benefit of my stockholders and corporation?" This, in simple language, is the problem of distribution, or, as it is called in Great Britain, the problem of selling. This, confessedly, is a vital matter. After all, the people of every nation sooner or later must return an answer to the question: "How much can we afford to pay for goods as compared with what it costs to manufacture them?" In America, where distribution has been considerably developed, we term this "the elimination of the Peak and Valley indication." Take a concrete example. Let us assume that we are thinking of a factory, and that this factory in the month of January produces 100,000 units of tyres, or for that matter, anything

else you like so long as it be 100,000 units. Suppose I am in charge of the matter; it will be my business in co-operation with the president and a board of directors, general manager and superintendent, to frame an organisation which can produce *and* sell 100,000 units. In the month of February, however, suppose we find that we have fallen to 30,000 units. My complex organisation is still in being. The only thing I can possibly cut is wages, which, of course, means the elimination of wage earners. That brings about a temporary disturbance and depression among the workers. In March, let us suppose we sell 150,000 units, whereas in April we are down to 75,000 units. Here we have a situation which will be familiar to every business man, and the crux of the problem is he has to bear the cost of those overhead charges in that Peak and Valley production. This is really a matter of distribution of selling, which both in America and in Great Britain has so far failed to receive due consideration. Things in this connection are improving, and this fact may justify the hope that eventually that Peak and Valley in production may be got rid of altogether.

What Advertisers Should Concentrate Upon

You may say that this is a highly complicated and intricate process. No

doubt, but it so happens that this is my particular job, and my corporation is trying to solve that problem. The scientific distribution of goods demands low selling costs, which in turn calls for increased profits. The most expensive item in selling is undoubtedly the salesman's time, and this expense goes on continuously. We are now awakening to the fact that it is useless to send a salesman week after week, month after month, to call upon the same customers. We are now concentrating our thinking on the volume of production. This, of course, necessitates a proper degree of publicity, and a proper understanding on the part of the people; and by "the people" I mean the retailer and wholesaler as well as the consumer. All these must realise that the manufacturing costs can only come down, that the costs to the consumer can only come down, that the costs to the employer can only come down by fixing our whole attention on the volume of production. Manufacturing must go on more or less, and in my experience, all retailers and all wholesalers, once they understand that this problem of Peak and Valley production results in increased costs, disturbance of trade and depreciation, will admit that I am right. They will, if they are wise, concentrate on the quota of goods to be sold. Suppose, for instance, I am doing business in Leeds. I tell my business friends in that city that I have six distributors, and I say to myself, "The vast population of Leeds should provide me a market for my goods, and I believe I am entitled to a percentage of that market." My business now is to ascertain the value to be produced and the percentage that these six distributors will have to secure. In this business of selling and distribution in America the advertiser takes his place.

When you think it over, advertising is nothing more or less than putting down

on paper the reasons why people should buy your goods. It is not sufficient to put down anything on paper; you must be so persuasive that you are able to break down the resistance of the buyer.

How American Business Men Regard Advertising

In America, advertising through our Great Convention is now the problem of the biggest men in each company. In America the managing head of the company will personally look into the business of advertising. In America we realise that if we are spending £10,000 in advertising it is just as important for us as if we were investing £10,000 in machinery. Increasingly do we realise that the money we are spending on advertising is the company's money and that the only justification for spending it is to produce greater earning and lower selling costs.

From this it is clear that advertising in America is a scientific business. We do not draw up our advertisements anyhow, but we spend a long time on the preparation of advertisement copy although the printing of the advertisement will take only a minute. In the *Saturday Evening Post* we pay 8,000 dollars for a page, and we are perfectly willing to spend 800 to 900 dollars in the preparation of that advertisement. The newspaper cannot fill your space for you.

A Popular Misconception

It is important, however, to rid ourselves of the misconception that the retailer pays for advertisements. Careful investigation in England satisfied me that the majority of English buyers really believe that advertisements increase the price of goods. They have never been taught any better, and it is our duty, as advertising men, to convince the public that by advertising we are reducing to them the cost of the goods.

Unemployment Insurance by Industries

Its Benefits : How to Secure Them

By SIR LYNDEN MACASSEY

WHAT is our outstanding problem? Without doubt unemployment. To call it the canker of the home, the scourge of society, the curse of civilisation, describes all too inadequately its deadly power. No wonder that men of goodwill seek and search for effective remedies and alleviations.

Before the war we were always faced with intermittent unemployment—the result of cyclical and seasonal causes. That some “normal unemployment” must periodically exist is inevitable. To it the war has added another kind—“abnormal unemployment”—arising from the complete failure of demand, especially in foreign countries, for the goods and services we produce.

Remedies and Alleviations for Unemployment

For abnormal unemployment the only sure cure is re-creation of international trade. The first essential for its rejuvenescence is confidence and security. That demands international peace, settlement of the uncertainty about reparations and inter-Allies' debts and stabilisation of exchanges. It needs stimulation of legitimate commerce, as under the Trade Facilities Act and the export credit scheme. It calls for lowering of our production-costs through reduced national expenditure and taxation, and still more reduced wages and profits. It involves “within-the-empire” emigration from this country, so that our workless surplus of consumers can become productive

customers in our undeveloped dominions for the output of our home industries.

To wean a sickly child is always tedious. Until our export trade pulses again with healthy vigour, we must do what is economically practicable to provide employment by expediting new public works which are ultimately, though not immediately, necessary and by initiating “relief works” which possibly may never be necessary. It is less socially demoralising to make relief dependent on work than to make a dole merely the instrument of relief.

The Functions of Unemployment Insurance

Other considerations apply to normal unemployment. We may appreciably reduce its amount and mitigate its severity by improved works-organisation, by balanced production based upon scientific forecasting of trade, by attempts to equalise demands for labour through the postponement of public works until times of industrial depression. Too little attention has been paid to these expedients in the past. Still, when everything is done there will always remain an endemic residuum of unemployment.

Defects of the Present State Scheme

This is the sphere of unemployment insurance. In no other way can this residuum of normal unemployment be met. Is our present State Unemployment Scheme the best way to meet it?

Emphatically no! Admirable as it is in intention, its machinery is defective. It falls far short of what might be achieved under improved organisation. First, the scheme is cumbersome and expensive; that is, in effect, the finding of the Geddes Committee. Secondly, it is inefficient in that it wholly fails to provide any incentive to employers and trade unions to reduce unemployment. Thirdly, it in no way operates in an industry to bring together the organised employers and trade unions representing the industry, nor in works, the individual employer and the individual workman. This is not the fault of the loyal, able, and energetic staff of the Ministry of Labour who work the scheme, it is due to incurable defects inherent in the scheme.

Can a better scheme be devised? Undoubtedly. The ideal scheme would be one under which the employers and the trade unions of each industry would jointly organise, finance, and administer their mutual scheme for the insurance against unemployment of their own workers. That would be true industrial unemployment self-insurance. But there are two fundamental difficulties. Some industries could not sustain unaided the financial burden of self-insurance; others are so loosely organised that they possess no effective machinery whereby such a scheme could be administered. As admittedly all workers must be insured, and not merely those in favoured industries, that prevents adoption of a clear-cut national policy of imposing upon each and every industry its own unemployment insurance.

If, however, we cannot secure the advantages of industrial self-insurance for every industry, let us secure them for as many industries as possible, provided we have some sound and suitable insurance scheme available for those industries and classes of labour who cannot self-insure. Above all, let us proceed

cautiously on a basis of sound constructive evolution. This, fortunately, we can do.

Industrial Self-Insurance by "Contracting Out"

We can do it by maintaining the present State Unemployment Insurance Scheme, but at the same time allowing all industries which desire to self-insure to "contract out" of that scheme. This is no new principle—"contracting-out" was permitted by the Unemployment Insurance Act, 1920. It was an arrangement under which an industry might organise and administer its own scheme in place of the State scheme for paying unemployment benefits not less than those paid under the State scheme, the State contributing per worker insured in the industry "contracting-out" something not exceeding three-tenths of the State's contribution per worker insured under the State scheme. "Contracting-out" was subsequently prohibited because the national insurance fund became insolvent. At the beginning of the war two and a half million workers were insured under the scheme of the original Act of 1911. All through the war, when wages were high, successive Governments foolishly neglected to extend the scheme as they should have done. In November, 1920, just before the slump in trade, the Government belatedly brought nine million additional workers into insurance and straightway charged them on the fund accumulated by the two and a half million workers under the Act of 1911, then possessing a surplus of £20,000,000 sterling. These nine million new insureds had had little time to add any accumulation to the fund when six months later the bottom fell out of industry. To-day the fund is insolvent and has borrowed £17,000,000 sterling from the Treasury. The application of the 1911 insureds' fund to the benefit of 1920 insureds is most

unjust to all the industries insured under the original Act.

The insurance industry is the only industry that was permitted to "contract-out." Under its scheme, higher benefits are paid than under the State scheme, with no contribution whatever by the employees. Many other industries would, if permitted, "contract-out," and create their own unemployment insurance schemes. While their benefits ought not to be less than the State benefits, they could vary contributions and benefits as agreed between employers and trade unions, grading, it is to be hoped, benefits in proportion to wages. Wages vary with skill and craftsmanship, and it is absurd that benefits should be uniform. Each industry "contracting-out" would have the management of its own insurance fund, and would contribute in respect of each of its insured workers a uniform sum to the State fund which would carry all workers other than those in non-insuring industries.

The Alleged Difficulties of Contracting-Out

Some—a diminishing number—who would like the State to run not merely unemployment but everything else, raise difficulties to "contracting-out." This is a common one: "Only industries with low rates of unemployment would contract-out, those with high risks would be left to be carried by the State." They forget in saying this that all industries "contracting-out" would contribute to the State fund, and the State could assist industries with high rates of unemployment to contract-out by making contributions from the State fund. That difficulty can be adjusted on an actuarial basis. Again, they say "Many industries cannot be separated out from other industries, and without clear definition and demarcation of industries you cannot have "contracting-out." Here again

there is, in some cases, difficulty, but opponents of "contracting-out" exaggerate it out of all semblance to reality. "Fringe industries"—as, for example, those subsidiary and analogous industries on the outskirts of the great engineering industry—could easily be incorporated with the latter for the purposes of an unemployment self-insurance scheme. Even where industries "interlock" or "overlap," employers' associations and trade unions have framed certain broad principles of differentiation which work in practice. So have the Labour Exchanges and so have the Trade Boards. What is wanted are not logical and scientific boundary lines between industries which probably could never be completely delimited till doomsday, but conventional boundary lines honoured by agreement and well known. In any firm where a number of processes or industries is carried on, that firm could insure all its workers without segregating them into their industrial classification. Many firms who have created a "supplemental unemployment benefit scheme"—one in addition to the State—aggregate their workers with complete efficiency and great economy. In other firms an "Employees' Approved Society" distributes not only the State benefit, but also the society's additional benefit among all the mass of workers in the firm's employment without regard to industrial occupations or trade unions. Any number of firms engaged in similar trade can combine to insure against unemployment, and so avoid all difficulty in regard to demarcation of industries. Nor is the fact that certain classes of labour sometimes work in one industry and sometimes in another the difficulty it is said to be. "Floating" or "common-service" labour can always be earmarked, and can be insured mutually by one or more industries or can be included in the State scheme. Casual industries like that of the dockers

can be decasualised—the permanent personnel being industrially self-insured, and the unorganised labour that is eliminated left for the general scheme of the State.

The Advantages of "Contracting-Out"

It is worth facing almost any difficulty to secure the incalculable benefits of "contracting-out" for those industries which would take advantage of it. Let us summarise them—

Economy comes first. Available machinery for administration, both of employers and trade unions, exists in all well-organised industries. It can do the work cheaper than any Government department. Unorganised labour can be insured as well as organised labour. The opinion of the Geddes Committee clearly was that economy would result.

Efficiency comes next. Employers and trade unions will, for the first time, find it is to their economic advantage to unite to do everything possible to reduce unemployment. The more unnecessary unemployment is permitted to exist the more do they see the insurance fund which they manage become depleted, and the greater the call upon them for contributions or the less the benefits.

Co-operation between employers and trade unions for the good of their common industry would be the first-fruit of their joint administration of their own industry's self-insurance scheme. The efficiency of the scheme depends upon the efficiency of the industry. The industry would at last be providing for its necessary reserve of workers. Co-operation also between the individual worker and his own employer would be fostered—at times of unemployment the worker would receive his unemployment benefit through his employer's pay office, just as he is paid his wages when at work. He would, therefore, feel that his welfare was of as

much human concern to his employer during times of unemployment as during times of work.

Production would be stimulated. In every industry "ca-canny" and objections to the introduction of time and labour-saving appliances are primarily due to the fear that increased production may be visited with unemployment. If contributions to the unemployment insurance fund are based on turnover, there would be an entirely different outlook.

Control—drastic, direct, and personal—would be secured against malingering. Any one with experience of trade unions' payment of unemployment benefit and of the ruthless methods they adopt to prevent malingering among their numbers, will have no doubt of their ability to protect their own industrial insurance fund.

The Duty of the Government

Such are some, by no means all, of the benefits to an industry, and also to the community, which is directly interested in the prosperity and progress of an industry, of industrial self-insurance. Now is the time to work out efficient schemes, probably differing in details, for as many industries as possible, so as to have them in readiness for immediate application when trade begins to improve. "Contracting-out" has been approved by the National Joint Council representing the Trade Union Congress, the Labour Party, and the Parliamentary Labour Party, and also by many large employers and a number of employers' associations and federations. Let the Government, which is doing everything humanly possible to alleviate unemployment, not stop with blessing the principle of unemployment insurance by industries; let it give practical encouragement to its adoption by restoring forthwith freedom to "contract-out" upon fair and proper terms.

How to Make Circularisation Pay

By E. MOLLOY

The ingenious chart published with this article will be exceptionally useful in every mail order house. It shows at a glance whether a circularisation has been successful or not.

THERE are a very large number of businesses in which it is possible by the judicious use of the facilities of the postal system to increase very materially the turnover. Many firms, however, do not care to embark on a large circularisation owing to the uncertainty of success. The following brief notes indicate a system by which the element of chance may be very greatly reduced if not altogether eliminated. It will be assumed that the manufacturer has decided to undertake a circularisation campaign, and that a list which is thought to be suitable has been obtained.

The Letter

The letter or leaflet which is to be sent out to the list already selected will of course need to be specially drawn up, having in view the particular class of people to whom it is to be sent.

The Commodity

Now deduct the net cost of production of each article from the selling price. This will give the total profit per article sold. This total profit differs from the net profit by the cost of selling. Obviously, if the cost of selling each article by any system of circularising is greater than the total profit per article the circularisation would not pay. The chart shown on page 105 enables one to tell at a glance whether any proposed circularisation is worth undertaking.

The Expenditure

A certain sum will have been set aside

for the circularisation, and the problem is to find the best way of spending this. For instance, whether it would be more profitable to send by printed matter rate a pamphlet to, say, 3,500 addresses, or to send at the same total cost a facsimile letter addressed personally to 1,000 addresses. To determine this send two batches of 50 or 100 circulars, one batch by the more expensive system and the other by the cheaper system, and note the percentage of sales in each case.

To Use the Chart

Read off on the left-hand scale the profit per article, and where the horizontal line through this cuts the curve showing the cost per letter the perpendicular on to the base line shows the minimum percentage returns which must be obtained.

Example

The following hypothetical case will show how to apply the chart. A firm of wireless manufacturers have a crystal receiving set which is supplied to the trade at 55s. and which is retailed at £4 7s. 6d. The analysis of the costs is as follows—

	£	s.	d.
Actual Works Cost	1	10	—
Selling Cost		5	—
Trade Discount	1	5	—
B.B.C. Fee		7	6
Total Cost	3	7	6
Profit	1	—	—
Selling	4	7	6

To find what prospects are offered by a postal campaign proceed as follows—

Selling price, less B.B.C. fee, and less actual works cost = £4 7s. 6d. - 7s. 6d. - £1 10s. = £2 10s.

The latter sum represents the total profit per instrument when sold retail by the manufacturer.

Suppose the scheme to be tried consists of a personally addressed letter with descriptive pamphlet costing 3½d. for each prospect, this to be followed later by a follow-up letter costing 2½d.

Total cost of circularisation for each prospect = 6d. Referring to the chart—draw a horizontal line through the mark £2 10s. on the outer left-hand scale, and it will be seen that this cuts the curve corresponding to an outlay of 6d. per person at a point corresponding to a return of 1 per cent.

A trial batch of 100 letters will quickly show whether such a return can be reasonably expected. In many cases

previous experience will render the trial unnecessary.

Another Example

Consider the case of an article on which the total profit is 3s. 6d. Suppose that 100 printed leaflets sent by ½d. post at a total cost of ½d. per address bring a return of 1 per cent, and that 100 personally addressed letters sent to other names on the same list at a cost of 2½d. per letter bring a return of 7 per cent.

Referring to the chart—draw a horizontal line through 3s. 6d. on the left-hand scale, and it will be seen that this cuts the ½d. curve at a point (A) corresponding to 1½ per cent. Thus a return of 1 per cent would not be sufficient to justify the first kind of circularisation. The same horizontal line cuts the 2½d. curve at a point (B) corresponding to 5½ per cent, and as the second circularisation brings a return of 7 per cent it would be quite safe to embark on this.

□ □ □

The Goodyear "General Assembly"

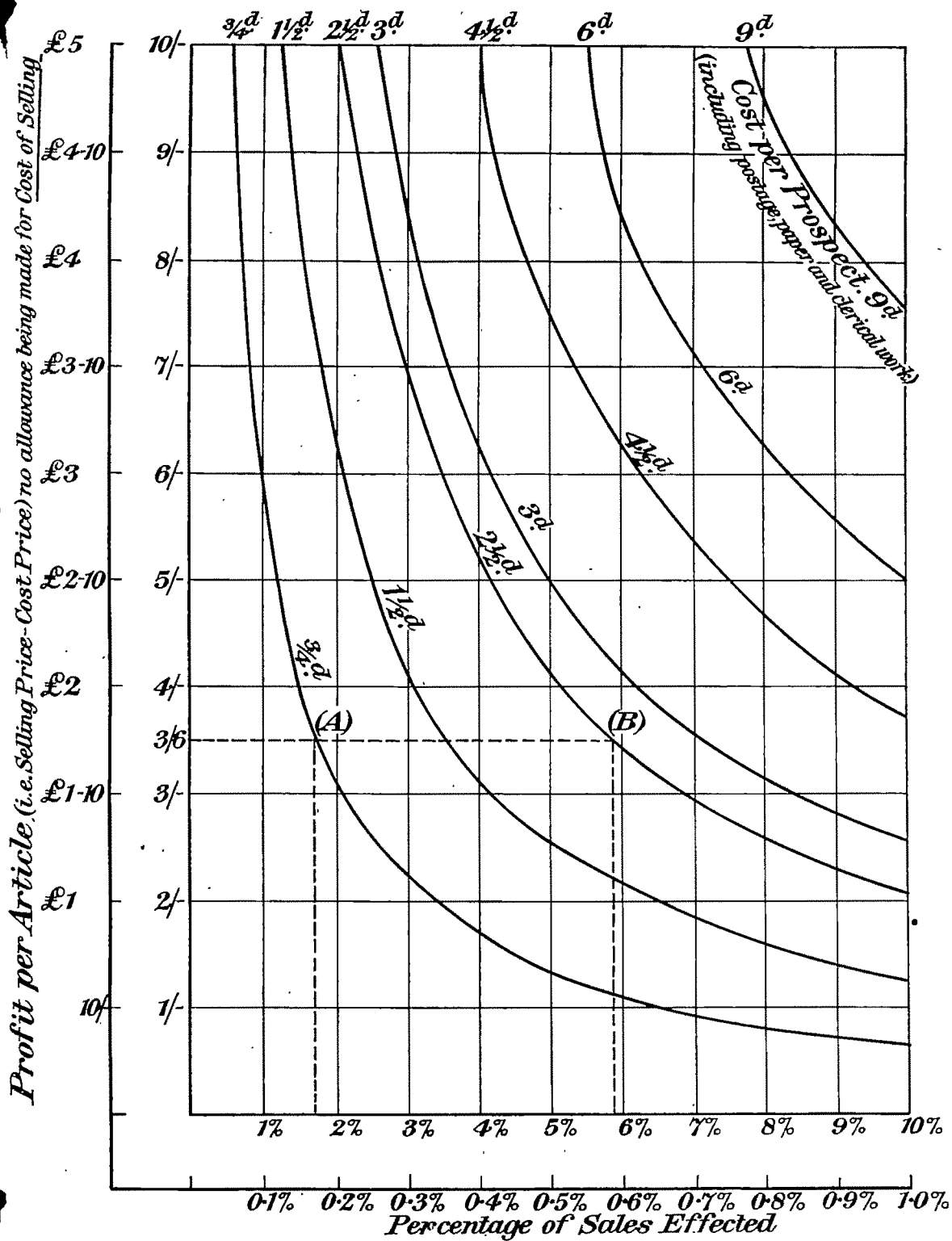
IN the big effort that is being made to-day to promote a better understanding between employer and employee, it is generally agreed that the introduction of Industrial Councils has done more towards the accomplishing of the desired end than perhaps any other means. The success of such councils as have been set up in various industries and in a number of individual organisations in this country is well known, but it is not so widely known that similar councils have met with considerable success in America. A typical example is the Industrial Assembly, as it is termed, of the Goodyear Tyre and Rubber Co.

The Industrial Assembly was first instituted in 1918, and investigates all questions of industrial relations in accordance with an agreed plan worked out between the employees and the management of the Goodyear Company. Working in close management,

it has played an important part in handling factory problems, involving questions of wages adjustment, betterment of working conditions, and improvement of production methods.

In periods of high prices the Assembly has operated its own market for the sale of food-stuffs to employees of the company. During the recent coal strike in the United States, when it seemed that employees might have difficulty in obtaining their winter supply of coal, the Assembly jumped into the breach and contracted for a full supply at fair prices.

The relations between the workers and the management of the Goodyear Company are of a most cordial and happy character. This is to a very large extent consequent upon the success achieved by the Industrial Assembly in arriving at decisions satisfactory to all concerned on matters affecting the company's production and administration.



Note.—Use inner scales for profits up to 10s. and outer scales for profits of 10s. upwards

Copyright

Who's Who in Business

Sir Charles Higham

By ARTHUR S. WADE

Here is something more than the deft characterisation of a vivid, compelling personality, with whose activities every business man is familiar: it is a study of the peculiar function of the advertising specialist in our modern social life.

EVERYBODY knows, I think, that Sir Charles Higham is an advertising expert. He has given a place in the sun to many commodities by the bewildering skill of his methods of publicity, but none of them has come to be better known than his own name. Who advertised recruiting in such a way that men felt uneasy until they were wearing khaki? Who got men for the shipyards and women for the canteens? Who conjured from us the little store of savings—and from the wealthy the huge cheques—for the Victory War Loan? Who, in peace time, has made us feel that we must eat this or eat that, or wear this or that, if we desire to be all that we should be? The answer is Higham. His handiwork has stared at us in countless newspaper sheets, posters, banner-lines, slogans, speeches, and so forth—in expected and unexpected places, and most of us have done at some time or other just what he told us to do.

What Advertising Experts Mean to the Community

In the next few months or so we shall hear much more of the advertising experts in view of the great London conference in 1924. Perhaps it is well, therefore, that we should form some idea of their place in and value to the community. What do they stand for; what services do they render to the people at large? Could we get along just as well without Sir Charles

Higham and his colleagues? I believe these questions are worth putting and answering, especially as many people seem to think that "boosting," as they phrase it, is only of concern to the business community. It is not many years ago that this country had no specially trained groups of advertising specialists. In the old days the man who manufactured an article spent some of his time in taking it round on a selling errand. Afterwards the makers employed other men to take the goods round and paint their virtues alluringly to the possible purchaser. This method is still much in use, and it would impoverish our social life—not to mention our fund of humorous stories—if the employment of commercial travellers were to become mere history. But there were services which could not be fully accomplished in this way. An age which was witnessing the growth of newspapers and the periodical press, of telephones, the birth of aviation, wireless, and the cinema, must have something infinitely more effective and in keeping with the increasing pace of civilised life.

Secret of Sir Charles Higham's Success

These are the circumstances which explain the advertising expert, but they only partly account for Sir Charles Higham. He brought with him two important things which were very much needed—native

genius for the work and a personality. He left the management of Messrs. W. H. Smith & Son's advertising department fifteen years ago to make a position and a name for himself as an advertising expert just at the time that a new infusion of life in the ranks of that profession was needed. I think it is true to say that he very greatly helped to widen the horizon of his class. He took the biggest possible views of what advertising could do. To him advertising was not merely a question of benefiting the seller. He was one of the few who linked the needs of the consumer with the normal business desires of the maker or distributor, and he regarded himself as the custodian of the interests of both. So he took up publicity for things which really filled a public want, and there by brilliancy of phrase and an inspired sense of the media to use he made the public want the things he had set out to sell. His success was great and was merited by the conscience and brains that he put into the work. And one of the good points about him is that, though his fortunes have risen, he has retained the same communicative, exuberant, tolerant-minded personality.

The Root of Successful Publicity

Sir Charles saw quite early that advertising was the only way to popularise certain attractions which could not be carried round in a sample bag. You may deposit a case of cutlery on the counter of a purchaser's shop so that he can

see what you are asking him to buy, but you can't transport Birchington-on-Sea or the credit of the British Empire to the homes of the possible holiday maker or loan-subscriber and unfold it before his eyes. You have to tell him about them. Doing so involves important qualities. You must tell him the truth. It is not good advertising to tell him more than the truth or to tell him what will not stand the test. Lord Bacon says somewhere:

"There is no vice that doth so cover a man with shame as to be found false," and there is nothing the sound advertising expert so much avoids as covering things with virtues that they do not possess. Sir Charles does not use Bacon's language about this danger, but his own injunction "Never break your word" shows that he has the root of the matter in him. Besides telling the truth, you must be picturesque in advertising anything which cannot be shown to the



Portrait

Walter Stoneman, F.R.P.S.

SIR CHARLES HIGHAM

consumer. Sir Charles has this gift also. He can startle you by apt expressions, he can reveal your concealed wants, he can make you see why your equipment is incomplete until you take the thing he is offering you. That is the true genius of advertising.

Publicity with a "Punch"

Anyone who has read Sir Charles's public utterances will not need to be told that he has the gift of apt phrasing. His speech is not literary in any precious sense. Its chief attribute is what people nowadays call "punch." The sentences are a series of bold strokes, sometimes of hammer-blows. "Take pride in your business. Back it up and buck it up." How sharp and concise! Talking on "Ten thousand a year men" he fired off quite a succession of these maxim injunctions: "Don't grumble. If you don't like your job, sack yourself. Never envy the successful; emulate them. Smoke and drink if you must, but do everything in moderation. Be ready for emergencies. Play the game. Be punctual and careful of your personal appearance. Look prosperous. Be kind and never break your word." In such a series of sharply phrased, practical sentences one sees the gift of the man who knows the value of expressing his ideas pointedly and picturesquely, and that is the gift which Sir Charles brought to the service of those who placed their advertising with him, and it was that gift which he gave to the country in the time of its need.

An Advance Agent for Life's Good Things

Sir Charles always strikes me as a man who has found just his right place in the scheme of things. I never thought he was suited to Parliament, though that may be an error of mine. It was, of

course, a delightful Dick Whittington story to find him representing in Parliament that part of Islington which he had known in his youth. It showed that not all the dreams of ambition turn to dust and ashes. Yet I was glad to read that he was leaving Parliament, for his best service to his generation will come from the development of his native genius. He is essentially an advance agent for the good things of life—that is, for articles of use, for optimism, for the British Empire, for good relations between capital and labour. These are the commodities he devotes his propaganda to, and it is noticeable that as to three of them he had no payment except the joy of doing the work. One feels the real inspiration of his personality when he is devoting himself to this kind of apostleship. Of his work for better feeling in industrial relationships no praise is too high.

The Tonic Quality

I think one can now answer the questions that were asked earlier on. The value of advertising experts is best seen in a study of a leading personality among them like Sir Charles Higham. We could not very well do without his kind. The place they fill in the social life may be constricted, but their power is extensive and the services they can do us are great. After all they facilitate the distribution of the blessings of invention and production; they enliven our newspapers and our hoardings and walls; they keep us posted as to where our needs, more complex and diversified now than ever, can be met out of the stores of civilisation. Added to this, as in the case of Sir Charles Higham, they often have a strong tonic quality, making us see the coming brightness when times are depressed, and giving us pride and confidence in the race and the commercial organism to which we belong.

The Possibilities of Mail-Order Business in the United Kingdom

By MAX RITTENBERG

Dealing with the general principles of operation of a mail-order business or department ; the advantages of this method of trading ; and also the pitfalls.

THE United Kingdom can never be such a fertile field for mail-order selling as the United States, Canada, the Argentine, or Australia—for purely geographical reasons. In these tight little islands, people are too close to cities and large towns offering them every kind of goods in shop windows. They are not scattered over remote farming districts hundreds of miles from a big buying centre, as in the other countries.

Therefore mail-order business here is naturally *'more restricted'*.

But it can be carried out profitably. In addition to mail-order houses proper, selling only through the post, there are fine potentialities for many other kinds of businesses—

The Departmental Store. A post-order department is nowadays a necessary part of the organisation.

The Speciality Shop. Here is a wide field for mail-order methods.

Novelty Articles. Mail-order advertising is frequently the quickest and cheapest way of reaching the public.

The Manufacturer who Sells Direct to the Public. This mail-order field is an increasing one.

The Manufacturer who Sells Direct to the Retailer. His force of travellers will be calling regularly on the existing customers and more important prospects ; but all the possible buyers cannot be covered by personal canvass without heavy expense for travelling and time.

The Wholesaler. Ditto.

In the two latter cases there are big selling possibilities in the organising of a separate and distinct mail-order department, to supplement the force of travellers and extend sales over the whole possible range of retailers. Not merely by an occasional circular letter, but by the concentrated effort of a department regularly equipped to go out for new trade all the year round and follow up prospects energetically.

Whatever be the exact nature of the mail-order selling, the same general principles apply: And these principles, formulated from the practical experience of the biggest mail-order houses in this country and in the United States, can be classified as follows—

1. Building confidence in the mind of the prospect.
2. Guaranteeing satisfaction or money back, when money is asked for in advance.
3. Devising printed literature which will "carry the shop to the customer," convey a selling atmosphere, and produce action.
4. Making it easy for the prospect to order.

Building Confidence

An old-established house installing a mail-order department will of course start out with a very big advantage, in that its name will possibly be known already to the prospect ; and the information on the letter-heading, including the

date of foundation of the business, will generally produce the desired impression.

But not in all cases. It would be easy to show examples of letter-headings of thoroughly sound firms which do *not* convey the right psychological impression. And it will be the first business of the manager of a mail-order department to study the letter-heading from the point of view of whether it will convey confidence to the mind of a man who knows nothing about the firm, or whether it will not need such revision as to make it thoroughly effective for this purpose.

Where a firm is a new one, and has no established reputation to go upon, the question of *conveying confidence* must be very carefully considered in every scrap of sales literature.

The letter-heading had best be in drawn lettering, in a style suggesting dignity and solidity; and it should mention the firm's bankers as a form of reference. The firm's name should be embodied in a drawn name-plate, and used in that form all over the printed literature; and the GUARANTEE must be stressed again and again.

The Wording of a Strong Guarantee

Here are several examples of actual forms of guarantee used by mail-order firms in this country and in the United States—

Sears Roebuck & Co., Chicago—

"WE GUARANTEE that each and every article in this catalogue is exactly as described and illustrated.

"We guarantee that any article purchased from us will satisfy you perfectly; that it will give you the service you have a right to expect; that it represents full value for the price you pay.

"If for any reason you are dissatisfied with any article purchased from us, we expect you to return it to us at our expense. We will then exchange it for exactly what you want, or return your money, including any transportation charges you paid."

Montgomery Ward & Co., Chicago—

"We guarantee to satisfy you or return your money."

National Suit & Cloak Co., New York—

"Your money back if you are not satisfied."

And, "You are the judge—Your money back if you want it."

And, "The National guarantees your satisfaction with everything you buy."

Lane Bryant, New York—

Wording on Order Form: "I send you this order with the understanding that if the goods sent me are not entirely satisfactory I may return them and you will exchange them for other merchandise, or you will refund my money, whichever I prefer."

The Royal Tailors, New York—

"This Garment is Guaranteed to Fit, Satisfy, and Please You in every Respect, or We Ask You Not to Accept it—Not to Pay One Penny."

Martins, Ltd., London—

"Perfect - satisfaction - or - your - money - returned.

"This Guarantee covers everything we sell. If the goods you order are not to your liking, send them back to Martins.

"Ask for an exchange, or for the return of your money. We will cheerfully exchange, or return your money. And not as a favour. It is in-the-contract with you. It is your right."

Curzon Bros., London—

"Satisfaction is GUARANTEED to every customer, or money refunded."

Horne Bros., London—

"If you should have the slightest cause for dissatisfaction, we positively guarantee to refund every penny of your purchase money on return of the goods in good condition within seven days."

Of the above forms of guarantee, the most complete is probably that of Sears Roebuck, who do the largest turnover of any mail-order house in the entire world.

The importance of a complete guarantee lies in this: That many people will *not* order goods by post unless they have become convinced of the integrity and honesty of the firm, and are quite sure in

their experience with local retailers how difficult it is to get goods exchanged or money refunded, and how many excuses are devised for not doing so. Therefore, they will be still more doubtful about getting goods exchanged or money refunded by a firm at a distance, unless

In previous articles, a large number of good examples have been illustrated and analysed in order to deduce the principles which go towards the creating of a real selling atmosphere.

104. ~~Illustration~~ Ex. Please give size and width, when ordering.

ILLUSTRATION 1.—A CLEVER PRESENTATION OF THE SPECIAL POINTS OF
WORKMEN'S BOOTS

A mail-order house has to "carry the shop to the customer"; make him (or her) feel that the right goods can be selected as easily from an armchair at home as by going to a shop and choosing them; and use all the resources of illustration and type to drive home the selling arguments and stir up the urge to action.

The amount of selling ability and thought required to produce a first class mail-order catalogue is far beyond that required for the production of a good newspaper advertisement or ordinary form of catalogue—and any manager of a budding mail-order department would be well advised to get the literature of the big houses in the United States, and make a very close study of their methods of illustration, display, and "bargain atmosphere." Two typical pages are shown in *Illustrations 1 and 2*; and they well justify the following words from an American writer, Mr. Michael Gross—

"The one absorbing passion in the life of the mail-order folks is to make their catalogue *sell goods*. Experience has taught them that colour is a valuable aid in accomplishing this—therefore colour, and lots of it, is used. Good typography, they have found, helps to put a sales message across quickly, clearly, and concisely—for which reason great care is given to the way the pages are laid out, and the arrangement of the illustrations. Everything that is done from a mechanical standpoint is done with one question in mind: Will this page sell more goods if arranged in such a manner, or is there a still better way to help it to bring back its full quota of sales?"

"In these catalogues we come across no loud-sounding 'Forewords' that mean next to nothing; no series of titled illustrations that are merely an index of the goods in stock; no wonderful pieces of four-colour work that are good to look upon—and nothing more. Instead, we find every piece of merchandise not only beautifully illustrated, but so vividly described that the desire to purchase is immediately stimulated.

"After looking through one of these catalogues, a person can readily sympathise

with the farmer's wife who claimed that every time she opened the pages of a 'Sears Roebuck' it cost her husband a five-dollar bill."

Making it Easy for the Prospect to Order

This greatly depends on the care and thought given to the order form,¹ because one of the biggest obstacles in mail-order selling is that the prospect is too indolent to formulate on paper a description of what he wants. One has to do all the think-work for him, and provide him with an order form which will say for him in print just what he has in mind.

Also, there are a certain number of people of an opposite temperament—those who delight in writing long letters of questionings and vague rigmarole about what they think they want—and for the sake of economy one has to try to cut out the writing of special replies to long-winded people.

What a mail-order man wants is plain order forms filled in and accompanied with remittances—and one test of a successful mail-order shot is the *fewness of letters from prospects* in proportion to the number of plain orders. If on any shot for the selling of goods this proportion is more than 1-in-10, then there is something radically wrong with the selling plan, the presentation, or the order form!

The Advantages of Selling by Mail

These are many, and indeed are apt to be *over-emphasised* by people thinking of selling goods by mail.

They point out that their selling field is the *whole* of the United Kingdom; that they pay out no salaries and expenses to inefficient travellers (and certainly it is a very chancy matter selecting travellers who can really sell goods); that expensive offices and showrooms are not necessary; that they can run the business from

¹ "Making the Order Form Work Harder," *Business Organisation*, April, 1923.

almost any neighbourhood; provided the address sounds reasonably good; that a mail-order business can easily be started with a manager and a couple of routine clerks; that the purchasers will pay for their goods in advance, and therefore there will be no bad debts, no complicated book-keeping, and no need to squander time and patience on the chasing of slow payers.

All this is true enough, but it presents only one side of the picture—and it would be misleading to those who have not had actual experience of a mail-order business if only the rosy side were put forward.

So let us consider the possible difficulties and disadvantages.

The Pitfalls

1. If one proposes to sell direct to the public, then one cannot expect to sell easily to the retailer as well. The latter naturally feels that some of his legitimate trade is being stolen away from him. He is not to be impressed by statements that mail-order advertising will popularise the article and bring trade to his shop. It may possibly be true in some cases, but at all events it does not impress the retailer as a sound argument.

And talk in a mail-order advertisement about "cutting out the middleman's profits" does not cause him to bear goodwill towards the mail-order house.

If a firm is going to sell direct to the public as well as to the retailer—whether it be the same article or different articles—it is better to follow the practice of selling to the public through a subsidiary firm or company of a different name.

2. Whilst the expense of travellers or canvassers is eliminated, the expense of advertising in the Press or "Direct" to the prospect is a considerable item. And if either of these methods of advertising is badly conceived or poorly carried out,

Our New Spring Coats
Direct from New York

The Last Word in Style and Quality

Below the illustration, there are several columns of text describing different coat styles and their prices. The text is small and difficult to read, but it appears to be a list of items for sale, including various styles of coats and their corresponding prices.

ILLUSTRATION 2.—FILLED TO THE BRIM WITH ILLUSTRATIONS AND ATTRACTIVE DESCRIPTIONS

mail-order selling will become unprofitable. It is not every sales manager who is capable of conducting a profitable mail-order trade.

3. Novelties. Selling by mail is frequently the quickest and cheapest way of reaching the public. Astonishing results are sometimes achieved through the first advertisements and circulars. Even very tiny advertisements of an attractive novelty, in type which is only just

readable, may bring orders and remittances rolling in so fast as to give the impression that a little gold mine has been discovered. It is sometimes too hastily assumed that the first highly successful results can be continued for ever and ever, by repetition of the same circular or newspaper advertisement.

In practice, this is not the case. Many novelties "shoot up like a rocket and come down like the stick." The initial good results have not been due to the skill of the advertiser so much as to the sheer *novelty-appeal* of the article. And when the novelty wears off, no amount of clever advertising will remedy the situation. Every reader can probably recall instances of novelties which sold like wildfire when they were first introduced, and six months later were *dead*.

Therefore, in the marketing of a novelty by mail-order, one has to reckon on a probable change of taste on the part of the public in six months' or a year's time, and be prepared to drop that article and concentrate on fresh novelties.

4. And even when the article to be sold by mail is not merely a transitory novelty, but is likely to have a selling appeal for many years to come—because of its general practical utility or convenience, and because new vintages of

human beings are always growing up—one must bear in mind that competition may (and probably *will*) arise.

There is a certain class of business man who is essentially a "copy-cat"—the man who does not originate enterprises himself, but waits for other people to do so, and when he sees by a long repetition of advertisements or circulars that a success is being made, sets to work to copy the same methods as closely as can be done without running into legal infringements. Therefore one has to be prepared not only to *originate* a successful campaign, but also to *continue on* with new presentations, so as always to keep ahead of the imitators.

The mail-order firm or mail-order department must continually be "on its toes" to devise a fresh presentation of the same story, or evolve variations of the original selling plan which will appear to the public as a new form of offer.

All these disadvantages and pitfalls of mail-order selling ought to be carefully considered as well as the undoubted advantages.

If it is felt that they can be met and overcome, then the mail-order field possesses potentialities for profit which have certainly not been realised to the full in this country.



The Trade Wind

THE force of advertising cannot be seen, but it can be felt. There is a story told of a conversation between an advertising man and a merchant which illustrates the point, and it will bear repetition.

"Ever had your hat blown off?" asked the advertising man.

"Yes," said the merchant.

"What blew it off?"

"The wind."

"Did you ever see the wind?" "No."

"Well, advertising is like the wind—an invisible force. You can't see it, but you can and will see the result."

Many business firms regularly subscribe for several copies of this magazine for the use of their staffs. They say it is a sound investment.

Scientific Salesmanship!

Where are we Going ?

By J. A. DUNNAGE

We suspect our contributor of writing rather with his tongue in his cheek, but his challenging "Quo Vadis ?" to the selling side of business is none the less original and thought-provoking. Is modern salesmanship really tending to stultify itself ? It is a question which deeply concerns the advertiser.

AFTER applying myself diligently to the study of a sheaf of publicity literature, perusing some clamorous appeals for efficiency produced in the interests of certain correspondence colleges, reading a number of learned articles on the psychology of salesmanship, listening to some very clever lectures, and noting the mannerisms of sundry "drummers" who honoured me with calls, I am left in a curious state of mind. The general effect, instead of being cumulative, tends to make me feel, as it were, "cancelled out." I am impelled to throw out the challenging question: "Have we, as a business community, over-reached ourselves ?"

Vigorous propagandists operating either for private gain, or from a disinterested desire to improve our country's trade—it matters not which—have impressed upon young and receptive minds the necessity to employ tact, and still more tact; to make friends with every prospective buyer, to ingratiate one's self by all fair means, keeping all the time the ultimate purpose in view. In urging the importance of a good address the lecturer finds a natural ally in the popular multiple tailor. The qualities of courtesy, initiative, energy, and "grit" are becoming at least household words, if not yet household possessions.

The motives of these worthy folk are laudable ones, but the question has another and a sinister aspect. By thus

reducing salesmanship to a science, the principles of which can (they say) be assimilated at will by a large proportion of the adult population, have they not run the risk of defeating their own ends ?

No Two Classes

I consider they *have*, for the point so often missed is this. You cannot divide the people of this country into two separate and distinct classes and label one "buyers" and the other "sellers," any more than—unless young and inexperienced, or of the female persuasion—you can draw a hard and fast line between the sheep and the goats, and label some men "good" and others "bad." There are streaks of both in everyone. Similarly in modern life—in fact, in *any* civilised system—we are all buyers and all salesmen. This is obvious. It is equally obvious that the arts we study and practise as salesmen we look for and detect as buyers. How can it be otherwise ? So, as we daily study and propagate the science of selling, we succeed chiefly in making it more difficult for ourselves to succeed. When every buyer knows a bit about "sales talk" and can detect that our tongue is sometimes in our cheek, well—we may as well remove it !

Recently I annoyed the estimable leader of a commercial school very much by asking him not to waste any of his follow-up letters on me. He should have been pleased that I, a mere novice,

detected the character of his really excellent form-letter and revealed my knowledge that, failing some reply, others would follow at regular intervals.

The Public is Waking Up

But we go strenuously on, making rods for our own backs. With portentous solemnity we plunge into a totally unnecessary "struggle for life," quite failing to glimpse the sardonic humour of it all. Even those we scornfully dismiss as the "general public" are getting wiser. Advertisers report that no longer is the key letter or number system producing useful results as a guide to the value of various publicity media. It seems the poor old "G.P." is beginning to realise the meaning of these requests to reply to "Dept. X Y Z" or "Room 213" and, some subtle psychological resistance being set up, is declining to give the advertiser gratis information.

Let's Cry Quits

Had we not better realise in time that

the game is up, and cry "quits" all round? Let us cut out some of the trimmings of business, and turn the huge staffs now employed in selling goods on to the production of useful and desirable articles. The overhead expenses thus being materially reduced and output increased, a bigger demand would follow and the standard of comfort be raised. In other words, let us take a definite step toward the ideal of production for service, rather than simply for sale.

The old slogan that "advertising creates demand" leaves me cold. It is one of those dangerous half-truths. However sound it may have been once, it no longer applies. The potential demand for motor cars is sufficient to satisfy the most enterprising of sales managers. All that is lacking is an equitable distribution of the media of exchange, and the potential demand would become actual—without the aid of highly trained salesmen. But that's another story!



Profit-Sharing at Rowntree's

A PROFIT-sharing scheme based on proposals drafted by a joint committee of employers and employees, and containing many novel and interesting features, has been introduced by Messrs. Rowntree & Co., Ltd., York, with the approval of the two trade unions chiefly concerned.

After ordinary wages and salaries have been paid to Labour, a standard wage of $7\frac{1}{2}$ per cent is to be paid to Capital, and any surplus remaining is to be shared in certain agreed proportions. The "capital" is the issued share capital of the business, together with accumulated reserves.

After paying out of profits $7\frac{1}{2}$ per cent to capital, a sum equal to 10 per cent of any surplus, or £20,000, whichever is the larger, goes to a reserve for equalisation of dividends until this reaches a sum equal to one year's dividend on capital. In addition, the directors may put such sums to advertising reserve as in their opinion are advisable,

again with the proviso that this reserve is not to exceed 10 per cent upon the capital without the previous consent of the profit-sharing committee. Further, special reserves may also be set aside if considered advisable by the directors. An important point is that, with one minor exception, the whole of these reserves are ultimately brought back into the pool, and divided among those entitled to share in surplus profits.

After providing for such reserves, any balance is to be divided between Capital, Direction, and Labour in the proportions of 40 per cent, 10 per cent, and 50 per cent respectively. Capital therefore obtains, in all, a wage of $7\frac{1}{2}$ per cent, together with 40 per cent of any ultimate surplus. Labour obtains its normal remuneration, together with 50 per cent of any ultimate surplus.

Power is given to the employees to appoint their own accountant to examine the accounts and make report.

How to Find the "Big Idea" in Business

Open Secrets of Sales Development

By ERIC N. SIMONS
Publicity Manager, Edgar Allen & Co., Ltd.

If you feel convinced that there is a latent "great idea" in your business, one that may well double the public demand for your product, this article will help you to find it. Don't wait for happy inspirations to turn up. Search for them methodically on the lines here suggested.

IF we take the trouble to analyse the great commercial successes of the age we shall find that practically all of them have been due to something more than the mere gratification of a public want. They have been due, as much as anything, to an idea.

Not so long ago a certain daily newspaper proprietor discovered that he could raise the circulation of his journal enormously by offering free insurance to regular subscribers. In other words, he found a big idea. And the substance of this article is that there is a "big idea" hidden away in every business, that this idea can be discovered by careful and patient analysis, and that it need not necessarily be left to chance to discover.

Let me take a homely example to illustrate how this principle extends to even the most familiar of daily occurrences. The other day I went into a chemist's shop to buy a tooth-brush. Now I do not remember ever having seen any particular make of tooth-brush advertised. At all events, my mind was completely open on the subject, except in one respect, that I wanted a good tooth-brush, and I also wanted a stiff one.

Well, the chemist displayed an array of these instruments. I fingered them uncertainly and asked prices. The two

that seemed to me the best were practically equal in price. "If I were you I should take that one," said the chemist. "They guarantee that the bristles won't fall out inside a year." "But this brush is on the soft side," I objected. "That doesn't matter," said he. "They've twelve different grades, from very soft to very hard. You can pick which you like."

I bought that brush. Why? Because the makers had discovered not one big idea but two. And it was these that sold me the brush, not the look of it, because to all appearances each brush seemed as good as the other. In fact, for all I know, the brush I rejected may have been even better than that I bought. But its makers hadn't found that out.

Find Out the Dominant Quality

This failure to discover the dominant quality of a product is an explanation of the comparative failure of certain quite well-made and well-advertised goods. For instance, take motor cars. They all carry people to and fro with more speed and comfort than, say, a bicycle. They are, therefore, pretty much on a level in so far as their practical value to the public is concerned. But while all the orders for motor cars are not monopolised by one or two manufacturers, it is a well-known

fact that certain cars win so few orders that the making and selling of them is unprofitable. Often, as may be gathered by reading the letters of enthusiastic owner-drivers to the automobile journals, some of these less successful cars are as efficient as the more popular. What is responsible for their failure is the inability of their makers to find some striking point about them expressing their efficiency in such a fashion as to outweigh the points brought out by competing manufacturers.

The Idea Behind "Monkey Brand"

It must not be imagined that what I have called the "big idea" need necessarily be a big idea in actual size. It need be nothing revolutionary. But it must be relatively big. There was nothing remarkable in the fact that "Monkey Brand" soap wouldn't wash clothes. Soaps of a similar kind could probably have said the same. But only the manufacturers of "Monkey Brand" actually did claim it, and the novelty of the claim sold the soap.

Study the Product Itself

Whether the product be a new one, about to be put on the market, or an old one already on the market, the problem is to concentrate on finding the great feature that, by its distinctive appeal, will enable the product to outstrip its competitors. And the first place to look for this feature is in the product itself.

This may seem obvious, but, as I intend to explain, the possible big ideas that lie hidden within the actual product are seldom exhaustively reckoned. I must lay stress again upon the fact that an apparently trivial attribute of the product may in the end prove to be the one that will set it higher in the public mind than its rival.

A Fortunate Kick

A good plan is to take a sheet of paper and set down every known attribute the product possesses. Then set to work to study the thing closely: in fact, with a closeness that may at times seem ridiculously exaggerated, but that may at any moment lead to a surprising revelation. For instance, a certain maker of silverware in a moment of irritation kicked a silver-plated cream jug across his office. The jug hit a wall and fell to the floor. Picking it up again, the astonished manufacturer discovered that the jug was not even dented. He made further tests, made capital out of the "big idea" that you couldn't hurt his stuff however much you dropped it about, and made a fortune as a result. Thus in certain cases one may even deliberately kick one's product and discover something new about it.

Typical American Advice

In short, the manufacturer—or whoever he deposes—should take the product and practically live with it for days until he feels confident that there is no quality it possesses with which he is unacquainted. To use the words of an American business man, he should "weigh it, smell it, taste it, pound it, take it to pieces, put it together, listen to it, squeeze it, shake it, roll it, toss it, spread it, pour it, bite it, file it, whittle it, burn it, freeze it, soak it, saw it, cook it, eat it, kick it, run it, stop it, bang it."

"Looking Up" the File

As an example let us take a case in which I had personal experience of this method of exhaustive analysis. A file is a standard tool. There is very little difference between a file made by one good maker and a file made by another. Nevertheless, it was important to discover something in a particular brand of files that would enable its manufacturers

to sell them at a quicker rate than other manufacturers could. The file was weighed, hammered, thrown on to a concrete floor, left out in the open air, used on brass, on copper, on steel, on granite. It was tested with acids, analysed in the laboratory, fitted with a handle. Its teeth were counted, examined with a magnifying glass, tested to destruction. The number of effective strokes the file would make before wearing out was counted. The number of times it could be recut were calculated. Briefly, nothing was neglected that would elucidate unsuspected qualities. And at the end of all this detailed investigation, it was discovered that owing to a certain excellence in the steel of which the file was made, you could not break the tang unless you deliberately took a hammer and smashed it. The tang, as any file-user knows, is the weak part of a file. Strength there is a splendid point. It was made full use of.

Negative Analysis : Some Results

Now, next to what a product will do, it is important sometimes to find out what a product will not do, because it is far from improbable that the big idea is hidden there. As already indicated, "Monkey Brand" soap made a name for itself by announcing that it would not wash clothes—which did not prove in the least that it was better for its proper purpose than other soaps. A clearer example is that of "Lux," which "won't shrink woollens."

A list of all the conceivable disadvantages which a product might have should be made, and then those which it has not should be examined. For instance, the obvious disadvantage of an ordinary razor is that it will cut you severely if you handle it carelessly or are startled while shaving. The equally obvious "big idea" behind a safety razor is not that it shaves you better or

quicker than an ordinary razor, but that it won't cut you. That is a negative idea, and a negative idea may be for your purpose even bigger than a positive.

Often, too, what seems at first sight a serious disadvantage in a product may, looked at in another light, prove a splendid selling point. Thus, American file-makers use the disadvantage that their lighter files will not stand recutting as a talking point. They declare that you save time and trouble by not bothering to recut your files, and that you get better results by only using new ones. Another manufacturer has built up a great sale for his product by describing it as the costliest of its kind. He has thus surrounded it with an atmosphere of exclusiveness that has not only created for him a splendid business, but has convinced the public that he sells the best as well as the costliest article of its kind. Thus expensiveness, a great negative or disadvantageous idea, has been turned to excellent account.

Study the Consumer

Now the third great source of big ideas for making a business is the human being whom you wish to buy your goods. It does not matter, so far as this article is concerned, what your business is. You may be selling definite objects, or you may be selling service. But if you have failed to find your big idea either in the thing you are selling and what it will do, or in what it will not do, your next task is to try to find it in the consumer. What does he or she want? What do they expect your product to do for them? What do they use it for? How do they use it? Do they use it properly? Do they use it as much as they might? Could they use it for more purposes than one? All these questions should be asked and answered. The object is to hit upon some definite idea which will arouse in the consumer's

mind a definite desire to buy your product and no other.

Take the excellent idea hit upon by the makers of Palmolive soap. They analysed the psychology of their women consumers, and discovered that every woman has a desire, either secret or expressed, to preserve the charms of her youth. Hence the amazingly effective appeal: "Keep that schoolgirl complexion!" The consumer's longing is taken and turned into a great sales-making force.

In the same way, my own firm capitalised a human interest idea in connection with their tool steels. Analysis of the market proved that in many instances the user of steels is not well versed in their metallurgy and heat-treatment. He treats steels wrongly through inexperience and blames them when he gets bad results. The "big idea" of Edgar Allen & Co. is to supply him regularly with carefully written technical literature that will prevent his making mistakes at all. Many a foreman has had cause to be grateful for Edgar Allen literature, and recommends Edgar Allen steels to his purchasing department in consequence.

Your product should be similarly studied in order to find out its relation to the consumer, and how best it can serve his ascertained needs. The makers of Gargoyle Mobiloil got "under the skin" of the motorist by publishing a chart to show just what grade of Mobiloil should be used for each particular make and model of car. A provincial tailor built up his business by working on the fact that provincial men like their clothes to have a London cut, so that when they visit the metropolis their suits do not reveal their origin. This tailor engaged only London men, and made the fact known, thus assuring his customers of a London "cut" and style. There is perhaps a similar unsuspected need among the consumers of your product. Ask yourself questions about them, and see if

you can devise some way of discovering and meeting their requirements.

Study the Product in Use

Thus far we have discussed three fruitful sources of ideas, among which may be found the all-important business-builder. There is a fourth source, equally important—namely, the actual performance of the product in use. If a business man is really in earnest he will not be satisfied until he has actually seen for himself what his product does and goes through when it leaves the factory. Even if he does not discover the "big idea," he may find out certain important things that will affect his selling or manufacturing plan. For instance, a certain engineering firm discovered that detailed instructions concerning the working of its product (a machine) were never received by the men in the works who had to work the machine, but were filed away with correspondence in the office.

But not infrequently a really big idea for sales development will be brought to light by careful investigation of the product's performance in use. The maker of a certain patent earthenware sink was particularly anxious to increase his sales, and as trade was falling off he paid personal visits to landlords and householders in order to find out why. Inside a month he had got the information he wanted. Builders would not install his sink because it was too low. Their tenants' wives complained that it made their backs ache to wash up at it. Nobody thought of writing to tell the manufacturer this. If he had not investigated, he would perhaps never have found out. But he did more than merely make his sinks higher. He made them in three standard heights, and the householder could choose that which suited his wife best. This proved an idea that saved him from bankruptcy and set him on the road to fortune.

Thus, while your product may to all appearances be as good in every respect as that of your competitor, your sales are often consistently lower for some reason you cannot understand. Your investigation of the cause may teach you some unpleasant truths, but it may also give you inspiration. You may have declared that your machine is easy to assemble, and find that it is not so. You may, thinking of Europe, have declared that your product is easy to transport, and find that it is not so in Asia or Africa. But you may also find, as one manufacturer did, that your paste is so good and so strong that it is being used here and there to hold light pieces of wood together, like glue, thus opening up a new market.

Wherever possible, then, use the product yourself and find out all about it. When this is not possible, watch someone else using it, and set him talking. Some firms favour the policy of sending out a questionnaire form to users of their product in order to ascertain their experiences. When these forms are simply worded, brief, and to the point, they will often elicit useful information, but, as a rule, the "big idea" can only be discovered by personal investigation.

Get in Touch with the Salesman

The fifth source of ideas is the man who sells your goods for you. He may be your own salesman, he may be the general merchant who stocks your goods, or he may be merely the humble shopman in a village "emporium," but you may take it for granted that he knows things about your product which are worth your while knowing too. He may know, for instance, just why people won't buy your stuff, or just why they prefer your rival's. He may know why he would sooner stock your rival's than your own. Every retailer, even the humblest, comes into direct contact with his trade, knows intimately its special problems,

knows your product's relation to those problems, and has a daily opportunity of studying the reaction of the general public, his customers, not only to your product in itself, but also to the methods you are adopting to push the sale of it. If you are clever enough to set the dealer talking, you will learn things about your goods which you have never previously suspected. Bear in mind that it is not always the thing you learn itself that is the "big idea," but that any new point gleaned may put you on the track of what you are seeking. *Nothing is so trivial in a search of this kind that it can be ignored.* It was through tripping over the corner of a piece of linoleum that a manufacturer had the notion of making a linoleum that would not curl up at the corners, made it, and made his fortune as well.

The dealer or shopman can only be satisfactorily approached by personal visit. He must not be led to suspect that you are after particular information. His knowledge must be angled for. One friend of mine talked for two hours with a shopman about football and politics before he succeeded in getting from him the golden grain of information that the reason he would not stock his product was because his customers did not like the box in which it was put up. They could not use it for anything when it was done with, the shape being awkward. A new box was designed, and sales went up 40 per cent in two months.

In many town-suburbs and villages the shopman is looked upon as a confidential adviser by his customers. They tell him what they want and what they do not want, and they soon let him know if his recommendation is faulty. That is how he gets his intimate knowledge of different products. It is in your own interest to get that knowledge from him. It can be got, and it may mean all the difference between success and failure.

Expressing the Big Idea

There is only one other thing that remains to be discussed. How is one to know when one has found the "big idea"? Well, there is only one way, and that is to test it. But in general big ideas can be expressed in a simple phrase: "We couldn't improve the paste, so we improved the tube" (Colgate's). "Keep that schoolgirl complexion" (Palmolive). "A right steel for every tool" (Edgar Allen & Co., Ltd.), are typical examples. If your big idea will not, after thought, resolve itself into some simple sentence of that kind, the probability is that it is not a big idea at all.

There are various ways of "trying-out"

or testing a big idea, but with those the writer will not now deal. It may be an advantage to summarise the five places where the idea may be found. They are as follows—

1. In the product itself and what it will do.
2. In what the product will not do, and in its apparent disadvantages.
3. In the people who need or buy the product.
4. In the actual use and performance of the product.
5. In the man who sells your product to the consumer.

Somewhere in one or other of these five sources will be found a big idea for every business.



Standard Accounts for Rubber Companies

MUCH interest has been aroused in accountancy circles by the action of the Rubber Shareholders Association in drawing up a standard form of accounts, including balance sheet and trading and profit and loss account, which, it suggests, should be adopted by every rubber-planting company. In their explanatory circular the Association submits the following postulates:

(1) The object of all book-keeping should be the providing of a true and complete statement of affairs as at any given date.

(2) The owners of a business are entitled to the information provided by correct book-keeping.

(3) In the case of a joint stock company, the owners of the business are the shareholders.

The Association points out that the results achieved by various companies are often vitiated by the great divergence in the forms of balance sheets, profit and loss accounts, etc., and especially deprecate the practice adopted by some companies of presenting accounts in such a bald and meagre shape that very little meaning attaches to them.

Messrs. Deloitte, Plender, Griffiths & Co. have approved the suggested standardised form of accounts, and they state that "with regard to the detailed information which it is proposed should be given in the first section of the trading and profit and loss account, that, so far as our experience goes, the tendency appears to be to show only the net trading result after deducting from the gross profits of the crop the estate expenditure and selling charges. We think, however, that it is preferable that the various items should be separated, as set out in the *pro forma* accounts."

Constructive criticism of the proposed form of accounts is invited by the Association from everybody interested in the subject. The secretaries are Messrs. Morison & Bell, Chartered Accountants, 9 Drapers Gardens, E.C.2. In view of the demand among investors generally for more informative balance sheets, the action of the Rubber Shareholders Association may possibly have important results upon the accounts of other trading companies.

Agent's Commission on Renewal Orders

By DONALD MACKAY, B.L., *Solicitor*, GLASGOW

Is an agent, paid by commission, entitled, in the absence of express agreement, to receive commission on repeat orders which arise after the termination of his agency? No question has been more hotly debated in publicity circles. Our contributor lucidly discusses the points at issue and states the precise legal position.

REMUNERATION by commission is a very simple matter. The principal and the agent make their bargain, and the agent is paid according to a percentage agreed between them or regulated by previous course of dealing or by custom of trade. There is one point, however, of great importance which neither law nor practice has yet managed to definitely settle, namely, whether an agent, paid by commission, is entitled to receive commission not merely on the original orders from customers first introduced by him, but also on "repeat" orders by the same customers, either (1) before or (2) after the termination of his agency.

This point has again arisen in the recent case of *Charles v. Bertram Day & Co.*, and the decision of the Lord Chief Justice in that case, in which he comments on the previous cases, has given occasion to our contemporary the *Solicitors' Journal* to deal with the general position and to suggest certain tests for determination of the question. With due acknowledgment we propose to indicate what these tests are.

An Advertisement Canvasser's Claim

First, however, as to the facts of the case itself. The plaintiff sued a firm of advertising agents for (1) damages for wrongful dismissal, and (2) for commission due to him as an advertisement canvasser. Since the court found as a fact that there

had been no wrongful dismissal, that ground of claim failed and we need not consider it further. As regards the claim to commission, the characteristics of the agreement were these: first, no time for its continuance was specified in the agreement nor was there any provision for notice to terminate it; second, it did not stipulate for whole-time services; and, thirdly, it said nothing about commission on renewal orders.

Informal Agency Contracts : Express Provision

Now, as the commentator in the *Solicitors' Journal* properly points out, there are generally speaking in agency agreements three possibilities. The terms of the particular contract may expressly provide for "repeats," which ends the matter. One might expect, then, that this question would be provided for in every agency contract; on the contrary, it hardly ever is the subject of express provision. The reason seems to be that agency contracts are exceptionally informal affairs; they are often purely verbal and generally only contained in correspondence. Some large firms and companies, of course, keep special common form contracts which each agent is asked to sign. But this is rare. The reason is that men of business usually appoint as agent a man fulfilling many functions, and do so informally on discovering—

in private conversation or otherwise—that he may perhaps be useful in finding business for them. If elaborate stipulations were made as to the terms of the agency probably the parties would find the matter falling through, neither having time to discuss and arrange them in detail. Moreover, very often it is not desired to disclose the fact that A is an agent of B; the drafting of agreements in technical terms means the employment of lawyers, negotiations, and other prolonged happenings in the course of which A's agency leaks out somehow. At any rate, whatever be the reason, formal contracts of agency are almost as rare as formal contracts for the sale of goods, and much rarer than formal tenancy agreements or leases of flats.

General Trade Custom

Apart from express provision in the contract, there is a second possibility. There may be a *general custom* in any particular trade that an agent in that trade is entitled to commission on repeat orders. But such custom must (1) be general, (2) be confined to one special and clearly distinguishable trade, and (3) be proved in court sufficiently often for a judge to have finally decided that he can take judicial notice of them. Therefore, while it is usually stated in most of the cases that a general custom of this kind may exist and is a good custom, yet in practice there is no clear decision in which such a custom has been taken judicial notice of for any specific trade. The result is that evidence of universal custom is still necessary whenever such an alleged usage is set up in any actual trial.

Agreement Implied in the Contract

In the case referred to no evidence of custom was adduced, and it therefore turned on the third possibility, namely, *indications* in the contract itself which

might show that in natural justice and equity the court should read into the contract an implied agreement that the agent was to receive the commission, on the general principle that where the parties are silent the court will presume them to intend that their contract should be construed in accordance with obvious fairness.

Now a distinction must be drawn between a full-time and a part-time agent. The former is essentially a salaried employee of the principal, who is restrained by the terms of his employment from seeking his own livelihood, and is bound by confidential duties to his employer. That being so, a reciprocal relationship ought in equity to exist; the employer should be bound to pay him commission on all business really introduced by him, even after the contract has terminated; the employer has got the benefit of the introduction once for all, no matter how short the agency relatively lasts. Moreover, otherwise he could dismiss the agent as soon as the latter had built up a business for him and could keep all the benefits. Therefore in full-time employment cases it seems almost an established rule that the court will presume an intent to pay commission on "repeat orders"; at least, it will require very slight indications of intent in order to do so.

Part-time Agency Agreements : The Governing Principle

But in part-time agency the principle is not so clear. There an agent is not tied to one employer or one mode of livelihood, and A may, in fact, after leaving B's employment, take to C, D, and E customers whose custom he obtained originally for B. A good deal, therefore, turns on whether A's agreement with B is in such terms as expressly or impliedly to preclude him from seeking after its termination to get orders for other principals from customers he introduced to B. If there is a clear prohibition of

such solicitation, then the presumption—based on “reciprocity of obligation”—is that A should get commission on “repeat orders” from those customers. If there is no such restrictive obligation, then A is not entitled to such commissions. This seems the clear principle that ought to govern the interpretation of these agreements.

In the case of the agency agreement on which we are commenting, which was for part-time service, there was nothing in its terms which expressly or by necessary implication prevented the agent from afterwards acting for rival firms and soliciting the customers with whom he had negotiated for his previous

employer. That being so, the principle of “reciprocity” did not arise, and the general rule applied that, in the absence of express stipulation, implied contract, or general custom, no right to commission on “repeat orders” inhered in the agent. Lord Hewart decided accordingly.

We concur in the wish expressed by the *Solicitors' Journal* that a comprehensive rule on the construction of such agency agreements should be laid down. Such a ruling would be very welcome; unfortunately, in the case of *Charles v. Bertram Day & Co.* no sufficiently general principle seems to be necessarily involved in the judgment of the court for guidance in future cases.

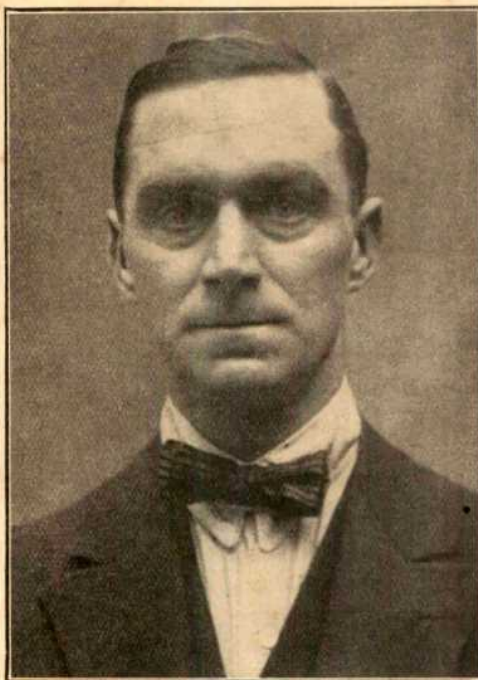


Photo

Elliott & Fry

SIR WM. LETTS, K.B.E.

who was recently entertained to a complimentary dinner at the Connaught Rooms by prominent members of the motor industry in celebration of his fiftieth birthday. He is the managing director of Crossley Motors, Ltd., Willys Overland Crossley, Ltd., A. V. Roe & Co., Ltd., and Chas. Jarrott & Letts, Ltd.



Photo

"Daily Mail"

MR. F. E. BUSSY

a very successful organiser of exhibitions, who is relinquishing a directorship on the *Daily Mail* to become managing director of the amusement concession at the British Empire Exhibition. He confesses to having "inflicted twenty-five exhibitions on an unsuspecting public during the last fifteen years."

The Word and The Wheel

By SYDNEY WALTON, C.B.E.

It is sometimes cynically remarked that idealism "cuts no ice" in business. The sentiment is profoundly false, and this eloquent plea for the new spirit in industry, which is instinct with idealism, will evoke a response from an increasing body of British employers.

"Give me a word and I will rule the world."—(JOSEPH CONRAD)

AS the actions of men depend on their outlook, so does their outlook depend on the hundred and one influences that are at work shaping their unconscious thought. Of these influences the word, spoken or written, is the most potent. There is, in fact, an almost mystical kinship between literature and action, between the word and the wheel.

From history comes endless illustration. From Caedmon onwards, who sang on the bluff North Sea headland at Whitby in the morning twilight of letters, the perfect word has had strength in it to draw the world upwards out of the darkness towards its own light, even as the sun has power to summon forth the energies of the dark soil. Whether down the centuries you pass on from Chaucer to Shakespeare, from Spenser to Burns, from Milton to Charles Dickens, you find confirmation at every milestone on the way.

Words that Made the War

To-day the connection is no less close. A word set in motion the grim chariot wheels of the great war. The adoration of Napoleon, working like wine in the blood of Germany, gave the world such phrases as "Might is Right," "God is with the big battalions." The universities kept alight the altar-fires of the creed. Berlin itself was the chiefest shrine. The militarist beatitude—"Blessed are the pitiless, for they shall obtain great possessions"—was cherished

like sacred scripture. It set the mind of official Germany aflame. It was as a torch to the imagination of young Germany. This gospel made war as inevitable as fate. It created vast factories for armaments; built huge battleships; imposed undreamed-of subsidies and levied taxes almost beyond the measure of endurance.

The theories of Karl Marx captured the minds of a group of men in Russia, minds made responsive and receptive by a blind and cruel and unspeakable tyranny. Destiny gave the hour to these men. The word that had worked like leaven in them sprang into deed. It was as powerful as dynamite.

Industry's Greatest Need

Can we harness the word to the wheel of progress to-day? Germany and Russia seized on the word and made the world a wilderness. Can we build better than they? Can we send out the word which will bring peace and prosperity to the nations?

In industry the wheels are again revolving. More and more every day the industrial machine is being tuned up to fulfil the function it is made to perform. A word may stop it. A word may set it running to capacity. What word? In the first case, the word of the spoiler. In the second, the word of the wise man who sees beyond the immediate present.

We have wise men and to spare, men of integrity and sincerity, men of vision,

men of action. All are needed to give motive power to that word on which the world is waiting, to give it wings to carry it to the ends of the earth.

A word could bring Capital and Labour together. At present they are living sternly and severely apart as if on separate islands, with "the salt, unplumbed, estranging sea" between them. Sometimes, setting forth in their own boats, they meet in mid-sea in a kind of naval battle, shouting angry words at each other and hurling fiery darts. Presented to my mind is a picture of pirates wrestling in desperate combat, seeking to scuttle each other's ships, or to raid the rival shores. Such a story might Robert Louis Stevenson have told had he been living.

The Dividing Line of Peace

We are informed on authority that in many great industries masters and men never meet save in hours of dispute and crisis. They come together only on the brink and verge of war. One trade union leader has told me with sorrowful frankness that never do his men and he see their employers save when a battle is threatened between them. And yet have they not much in common, their craft and how to improve and cherish it and to safeguard it from competition offered by rivals abroad and the loss of public good will?

In the dusty valleys of industry delve beneath the crust and what do you find? Heroisms, loyalties, pride in craftsmanship—all the splendid attributes of character that work brings forth.

"'Tis God gives skill,
But not without men's hands,"

not without the hands of "that plain white-aproned man" and his fellows all over the country, all over the world. Strikes, disputes, violent unrest—these fill the headlines and the placards, these are the excitements of the printing press.

But they are not more real, more important, than the qualities that lie hidden beneath the surface.

Suppose we make a change of words. Suppose for pirates and enemies we write neighbours and fellow-citizens. Will not the wheels of industry revolve more smoothly?

The Man More than the Machine

The great mistake of the Industrial Revolution was to think of the machine first and the mind last. The wheel was put before the word, and though for a time it seemed to work, and work well, it lacked the essential motive power to last. To-day we are suffering in consequence. Industry on its mechanical side is wonderfully organised. On its human side it is only at the beginning of its development. It awaits the word to set it moving. In industry itself there is the most dismal ignorance of the simplest and most elementary economic laws, facts, and processes. Geography is little more than a knowledge of capes and mountains, rivers and towns—dry-as-dust repetitions. History is a record of wars and battles, dreary lists of kings of England, barren lists of the dates of events. Surely the proper interpretation of Geography and History is through Economics. Geography, the study of the arena and environment from which man wins his bread by the sweat of his brow and in which he harnesses to his aid or transmutes to his service the treasures of the earth, the winds of heaven, and the tides of the sea; History, the study of his methods of doing so throughout the ages, the chronicles of his successes and failures in the development of his fight with Nature.

Ignorance Opens the Door

Why is London? I ask. Why Glasgow? Why New York? Try to make reply and see what interesting knowledge they

involve, knowledge which should be "in widest commonalty spread." A boy leaves school to-day in his middle teens without a smattering of knowledge of the far-reaching organisation of which a cheque or a bill of exchange is a symbol. He knows not how Lancashire is bound to Germany, Germany to China, to India or South America, and all to London. Is it any wonder then that extreme, passionate, intense men find in this ignorance a citadel easy to enter with their wild regiment of ideas and aspirations?

A Hint for Capital

It is idle to combat extremism with recrimination. Great is truth and it will prevail. But it will not prevail so long as it is hidden from the light of day. Capital for the most part does what is described with vivid humour in the scriptures. Having a candle it hides it under a bushel instead of putting it in a candlestick to give light unto all that are in the house. It leaves its workers to work in the economic dark.

I have met very few capitalists who could give a reason for the faith that was in them, who made it a duty to expound to the multitude that Capital too has its struggles and harassing anxieties and its humanities and its laborious days. Unconsciously, subconsciously they have the right vision. They strive in their own way to give it

expression. But for the most part they are dumb.

World Yearning for Peace

To comprehend in our minds and hearts the economic oneness of the world is to feel the sure hope and promise of an ultimate and abiding peace in the world. In immaterial things, in literature, in art, in science, we are the debtors of all

nations, as all nations are indebted to us and to each other. In material things, too, there is this true mutuality of trade. Trade, that is to say our daily bread, shall only be made sure to us by peace over all the earth. Just as the economic pressure and hunger of peoples expressing itself in greed of territory and the wealth therein was the urge of war in the past, so now I see the desires of



MR. SYDNEY WALTON

trade set in the direction of quietness. The economic urge of this generation and of all to come is peace.

What an opportunity there is in every shop and warehouse and factory and market-place for teaching this. When the employer takes occasion to explain to his employees the history, the growth, the achievement of his business; its perils, its potentialities, his own success and failures and aspirations, a new world will open to the millions of our citizens at present little more than cogs in a machine. Will not the wheel turn more proudly when this is done?

Self-Organisation for Business Men

VII.—The Cultivation of Ideas (Part I)

By MORLEY DAINOW, B.Sc. HONS. (LOND.)

Director of the London Institute of Applied Psychology

By contrasting and comparing things you acquire ideas or the meanings of things. But each and every thing has many meanings. Things are arranged, however, according to the best or truest meaning. This arrangement is called Order. But order is only the outside of the arrangement. There is an inside to it. This is Reason. An efficient order of things must be based upon true reason or the right relationship of their ideas. You must therefore firstly select the right meaning of things, and secondly relate, or find the right connection between, their meanings. The first process is the Art of Judgment or Practical Reasoning; the second is the Finding of Principles or Theoretical Reasoning. This month you are shown how to judge.

1.—The Art of Judgment or Practical Reasoning

(a) *Order: External and Internal*

EVERYTHING that you use, everything that you see, everything that exists, each of these has many meanings. One of the meanings of the pen in front of you is "that with which I write." One of the meanings of the paper in front of you is "that upon which I write." All things around you are so arranged, they are so put into certain places, that their meanings fit in. You do not find your pen on your fireplace. You do not find your writing paper on the floor (at least, not usually). The pen and the writing paper are things placed in certain positions so that their particular meanings are made clear and the relation of their meanings with the meanings of the other things in the room is satisfied. In any room, in any office; in any shop window, in any street you can see hundreds and thousands of things arranged in a certain way by means of their meanings. This arrangement of things is called order. But the *order is an outward result of the inner relationship of the different meanings of the things. This inner relationship is called reason.* You grasp order by using observation upon things, but you grasp reason by using understanding upon ideas.

(b) *What Disorder Does*

We are always looking for this order, and we are always assuming it to exist. If we meet with deviation from this order we become surprised, interested, or amused, and our minds are stimulated. A policeman in the midst of heavy traffic bending down to pull up his sock; a street lamp-post forsaking its dignity and position to lie down and watch a dog fight; a house from the walls of which trees are suspended instead of being planted in the front garden—all these are remarkable instances of changes in the usual order around us, and they are called remarkable because they cause us to remark, or observe, them.

When I spent my first day in Calcutta, eight years ago, I was astonished and amused to see a piano rushing along the street at a height of five feet from the ground. On closer observation I was interested to note that the piano was supported on the heads of sixteen native labourers who were running along with it. It was evidently the Indian method of removing heavy furniture. This was an exceptional instance. It was not so much a deviation from, as a violation of, the usual order. We are used to seeing pianos in drawing rooms resting on the

floor and in a corner. One of the meanings of a piano is "a musical instrument for rest, for pleasure, and for joy," and the idea "rushing in the street" did not fit into this meaning. There was a lack of harmony between my understanding of the thing (that is, my ideas of the piano, its meaning to me) and what was being done to the piano (the ideas I saw into the street incident). This lack of harmony caused me to attend, to laugh, and to reflect.

(c) *Intuition and Reasoning*

We spot this lack of harmony in two ways. Some minds are naturally gifted to understand reason by merely observing order. To see a man and immediately and accurately judge his character; to listen to a new proposition and speedily and soundly to offer helpful, encouraging advice or equally helpful, prudent criticism; to receive a sample of a new line of goods and instantaneously and rightly to report its selling value—all these are acts of minds possessing the power of reasoning without being aware of the successive processes of reasoning. The acts are performed so quickly that the mind is only aware of the ends, not the means, of the decision, not the way the decision was made. This valuable gift is *implicit reasoning*, commonly called *intuition*. Most minds, however, make their decisions more slowly. They bring to bear their memories, their knowledge of cases or of things or of propositions similar to the one under discussion. They are fairly clearly aware of the mental steps they take before committing themselves to a decision. These steps form *explicit*, or conscious, *reasoning*.

(d) *The Genesis of Intuition*

Intuition depends fundamentally upon Nature. The expert in window-dressing must, as a child, have exhibited a feeling for colour and form. The acknowledged expert in advertisement writing must,

as a child, have exhibited a feeling for words, sentences, and smart and snappy sayings. But these were only the fundamentals *possessed in varying degrees by all men and women*. Such gifts left to Nature alone would die. In addition to Nature there is Nurture (or environment, home influence, education, business or other training), and individuality (the particular personal factor). By nurture the gifted child's parents, teachers, seniors in business or other work, played their helpful and formative part. By individuality the gifted child made this part completely effective by consistent industry and growing understanding. Intuition, particularly when applied to the judgment of human character by personal impression, is alleged to be present more strongly in women than in men; and this is probably true. It is certainly true, however, that it is possessed to an exceptional degree by great captains of industry such as Lord Leverhulme and Thomas A. Edison, to mention only two names. It is certain also that these men possess remarkable industry and have made great use of environment. Intuition, then, is a gift that can only be effectively used if rightly developed, and it is developed in the same way that its twin brother explicit reasoning is developed. This way I shall now show you.

(e) *Explicit Reasoning*

I. *Empirical Reasoning (or "Rule of Thumb")*

You place a bundle of books on the shelf high left in front of you. In a moment they come down with a bang. You then place them on the shelf high right in front of you because you know from past experience they will rest there without falling. If this is all that takes place in your mind *you are merely following a difference in order without trying to find reason*. You are going by "rule of thumb." You are blindly following the dictates of the external world. That is how an

animal mind works. But it is a very inefficient form of mental working. You neither understand the difficulty in front of you nor are you better able to meet future similar difficulties. It is like thinking you have grasped the meaning of a letter when you have only gazed at the envelope, or enjoying a picture when you have only looked at the frame, or finding out the point of view of a book when you have only looked at the title. Purely empirical thinking misses the essence of an incident, the lesson of a mistake. The lesson is contained in the reason behind the order or disorder. Get hold of this reason.

II. Practical Reasoning or Judgment

Take the thing "defective shelf" and find out the ideas behind it. They are "overbalancing; greater weight than strength." Now take the idea "proper balance." See whether there is a shelf within your reach that can fit into this idea and select it for a practical purpose, for the future use for your books. In finding out the ideas that make up "defective shelf" you were *analytic*. In fitting the idea "proper balance" to another shelf you were *synthetic*. *This particular twofold process of relating things to ideas on the one hand and of relating ideas to things on the other hand, is called Judgment.* You express your judgments in a certain form (called a proposition), that embraces these two processes. Here are some judgments—Bovril is healthy; fresh air is good; a pen knife is useful. On the one hand you have the thing, say, "Bovril," and one of its ideas is "healthy." On the other hand you have the idea "healthy," and one of the healthy things is Bovril. The former part of judgment breaks up the thing into one of its ideas; the latter part takes an idea and finds one of the things that fit into it. The former is discrimination, it makes meaning more clear, more intense; the latter

is classification, it makes meaning more united, more intense.

The End of Judgment or Truth

Take the judgment "Waterman's Ideal Fountain Pen is a good pen." You have the thing, the particular pen, in front of you. You have the idea "good pen" in your mind. Firstly, by observation, concentration, use, and understanding, you break up the thing into ideas—good shape, suitable nib, rapid filling, easy writing. These are ideas that you abstract from the pen in front of you. Secondly, turn into your mind and bring out those of your ideas that make up the idea "good pen." They are: Shape, nib, filling, writing. Can the pen in front of you be said to be contained by these ideas? Try each idea separately and you will find that the answer is in the affirmative. In other words, the ideas of "good pen" which existed in your mind as part of your education, *your learning*, your understanding, agree with your present ideas (of the thing, the Waterman's Ideal Fountain Pen), which you have just abstracted. Another word for this power to abstract is *sagacity*. *True judgments are made when your sagacity (power to abstract ideas from things) agrees with your learning (the ideas of the thing already existing in your mind, as a result of education).*

QUESTIONS: SET VII

(NOTE.—No answer should take more than seven minutes or be expressed in more than seventy words).

1. (a) What is the difference between order and reason?
(b) Give one illustration from anything you like describing the order and explaining the reason.
2. (a) What is intuition?
(b) Have you ever used it or seen it used well or badly? Can you suggest reasons for this?
3. (a) What factors help the development of intuition?
(b) Give two illustrations from your reading or your work or your experience.
4. (a) What is the exact work that judgment does?
(b) How can you distinguish a true judgment from a false one?
(c) What is the value of judgment?

5. (a) What is *wrong* with the following—
 "John Jones, who had married his widow's sister, used to say that if a man had a bad sister it was his misfortune, but if he had a bad wife it was his fault."
 (b) If Beecham's Pills are of any value those who take them will improve in health. My friend who has been taking them has not improved in health; therefore they are of no value.
 (c) Giving advice is useless because you either

advise a man to do what he means to do, in which case the advice is unnecessary; or you advise him to do what he does not mean to do, in which case the advice is ineffectual.

6. (Optional). Is there any business problem in judgment which baffles you?

Answers to these questions, enclosing a stamped, addressed envelope, should be addressed to Mr. Morley Dainow, c/o BUSINESS ORGANISATION AND MANAGEMENT, 39 Parker Street, London, W.C.2.

Answers to Correspondents

Discussing a Book.

R. G. (Longtown).—Before doing this, have your ideas ready. Ask yourself—are these ideas sound? If so, why? Try to make them of wider application by bringing them into relation with another important interest or subject. By these means you will be ready to do full justice to the book during discussion.

Disadvantages of the Figure Alphabet.

B. M. (Burnham).—It is true that this is founded on the fundamental principle of association of ideas, but uses only *one* principle, viz., association by contiguity. It builds the scaffolding but not the house.

Drawbacks of a "Rule of Thumb" Mind.

R. G. (Longtown).—Such a mind is very easily "knocked out" by a new problem because there has been no grasp of principles.

Essence of Thinking.

B. M. (Burnham).—The essence of thinking is the abstracting of ideas from things by contrast (analysis) and comparison (synthesis).

Facial Expressions and Character.

H. G. H. (London, S.E.17); F. H. K. (Cheltenham).—The judgment of character from facial expression is partly guess work, for psychology does not yet know enough about the principles causing facial expression.

Inarticulateness in Company.

F. E. G. (Reading).—Ask yourself: (a) Have I anything I wish to say in company? (b) What is it exactly that I have to say? Before going to another party: (1) Make mental answers to these questions; (2) Examine these answers to see if they are completely accurate and important. At the party, seize the first opportunity to use what you have thought and bring it out.

Making Memory Lasting.

B. M. (Burnham).—Step one: Attend. Step two: Comprehend. Step three: Relate to something important. At a convenient short time afterwards revise step three.

Natural Influences on Retentivity.

R. F. C. (L. & N. E. Rly.); E. E. C. (Hull); C. W. T. (Stockport).—These are: Recency (to-day's news); frequency (e.g. a phrase such as "Let him that is without sin amongst you cast the first stone"); vividness (e.g. the details of your first big achievement in work); rhythm or rhyme (e.g. "Thirty days hath September, April, June, and November");

personal idiosyncrasies (e.g. sights better remembered than sounds).

Remembering a Book.

H. B. H. (London, S.E. 17); F. E. J. (Reading).—Step one: Take the book as a whole, what is it all about? Step two: Take the book as made up of parts, which are the six most important? Step three: Bind these six together.

Remembering Essentials.

F. H. K. (Cheltenham).—To make the essentials of a book stick in your mind, find out why one follows another, e.g. "Why should perceiving come before understanding?"

Remembering Reasons.

R. F. C. (L. & N.E. Rly.).—Do not remember reasons "parrot fashion." Take your reasons and arrange them in order of importance or connection. Ask yourself why is one more important than another, and why is this one more intimately connected with that one than with any other. Answer these questions. These questions and answers will cause you to arrange these reasons in an order in which the most important will be firmly grasped and when recollected will mentally bring up the other reasons.

Skeleton Key Charts.

S. J. L. (Newton Heath).—The mental processes involved in the making of such charts are more valuable than the charts themselves. Each part of the chart must be connected with its preceding or succeeding part by reasons.

Thinking and Association.

C. W. T. (Stockport).—Before association can be used in thinking about a thing you must first *abstract*, extract, pull out the qualities, properties, values (e.g. ideas) of the thing.

Types of Faces and Character.

K. A. B. (Hampstead).—To classify faces into types is finding order in faces. This has been done. To try to find the causative principles behind the types is to try to find reason in faces. This has not yet been done. Hence judgment of character from faces is only empirical ("rule of thumb").

Two Thousand Items.

F. H. K. (Cheltenham).—This has easily been done in numerous cases in my experience, but in *all* cases frequency and necessity have played vital parts.

Use of a Book Index.

K. A. B. (Hampstead).—Do not use the index of a book in the process of learning. During learning you must abstract the essence yourself. Some months after, in tracing the essence, the index will be helpful.

The Business Man's Reading

By A BUSINESS MAN

Many business men despise "mere theory" and are scornful of business science. It is an extraordinary attitude. Who can afford to ignore the recorded experience of other men? Study this article; it is worth thinking over.

SOME time ago Mr. St. John Ervine, in one of his articles in the *Observer*, indulged in a more or less genial attack upon what he called the "Tired Business Man." The point of the attack was that the business man was alleged to be too tired to enjoy a serious play and that one of the reasons why light and amusing comedies and musical medleys were popular was that they were presumed to cater for the "Tired Business Man." A good deal of the article was obviously a joke, but it may be that there was a substratum of truth lying beneath it. If we turn the discussion to literature instead of the drama we may find that here again there is room for disappointment. In these days the business man is a highly-educated man. He reads widely, but it is doubtful if he is interested as he should be in the rapidly-increasing literature on business and industry which is being poured forth in all countries at the present moment. It is certain that he is not so widely interested in the science of business and industry as his American brother, and far less interested than his German rival. He has several reasons to offer us for this attitude towards the technical literature of his craft, and it may be useful if we examine them.

The School of Experience

At the outset he alleges that business and commerce are not to be learned from books. He has learned his craft in the

only true school, experience. He does not want to be taught anything by academic writers. Business is business, he says; it is not a school-book subject. For business you require sharpened faculties and developed instincts. If he is to read books at all it is for recreation. He is a stubborn opponent of any scheme which pretends to put business expertness on the printed page. Now there is truth in this contention and it is of no use to ignore that truth. Still, it overlooks the very essence of what we may call "science." You could learn geography by tramping about Europe—a slow and an inconvenient process. You could learn medicine by practising on your friends and neighbours. But the printed book on geography will show you what all the world has learned by experience. It is the concentration of experience and of other men's knowledge. Similarly, the science of medicine is the result of ages of research and study. So that instead of books taking the place of experience they are the summary of experience, and the man who can look at his own business problems from the point of view of other men's experience will undoubtedly be at an advantage. The lawyer is interested in cases as expressions of the law, that is, in the actual application of law to events in the world, and thus he gathers together all sorts of experiences before he is fit to deal with the case with which he has been entrusted.

What We Owe to Theory

Then the business man pleads that he has no time for theory. He believes in practice, in doing things, and he scorns the "theorist." But, what is a theorist? He is not a person who sits at the side of the stream of life hatching ideas for his own delectation. Rather he is the constructor of the philosophical principles which lie behind practice. The navigator does not scorn the Nautical Almanack, and yet it is compounded of theory. He does not set out to sail the high seas content with the knowledge that he "knows where he is going." On the other hand, he is intensely interested in the motions of the stars and in the tides, and he owes his reliance on the stars and the tides to the fact that earnest students in the past have spent hours of careful and patient investigation of all the known facts in order that they might reach the unknown. The captain of an ocean-going steamer does not despise the "theory" of navigation. He knows his indebtedness to theory.

Business a Subject for Study

At times the business man pretends that he seeks mental recreation in other directions "as far away from business as possible." To this it may be replied that in the search for underlying principles there is undoubted romance. The dullness and routine of business are largely due to the severance of day by day practice from the underlying principles of the science. More than that there is a practical side to it. I refuse to believe that the business man is not so deeply interested in his professional calling as the medical practitioner or the electrician or the architect, and these professional callings make a demand upon their votaries to study the science and the art of their profession and, indeed, to make contributions to that art and that science.

It is perhaps because of this initiative or preliminary scorn of those underlying principles of business, which I have chosen to call "the science of business," that the world has put the commercial and the industrial life on a plane apart from the learned professions. The business man protests against this severance of judgment, and protests with much good reason; but it is just as well that he should ask if, to some extent at any rate, he has not contributed to the misunderstanding.

Responsibility of the Business Man

No reasonable person would suggest that the business man should become the generic, pale student, "sicklied o'er with the pale cast of thought." There is a reasonable mean in everything. But it might be well to suggest to him that all aspects of commerce and industry—financial and economic, management and direction—have become of recent years the subjects of penetrating study. The history of commerce and industry itself is fascinating and bears at every point upon practice to-day. The comparative study of different methods in different countries has been in the hands of earnest and enthusiastic investigators who have placed the results of their toil at the disposal of the industrial and commercial world. If that study becomes a matter of academic zeal only, and seems to grow apart from the world of reality, the responsibility will lie upon the shoulders of the business man who might have been the principal beneficiary. After all, it is a somewhat daring attitude to suggest that there is nothing more to be learned. We should regard it as madness in an astronomer or a lawyer. The business man will be well advised to assure himself lest a good-humoured scorn for learning should be a mask for a mere self-sufficiency.

Efficiency in the Office

By "VIGILANS"

THE overdue account is a perennial source of trouble, and the utmost precautions will never eradicate it altogether. Canute's famous command to the waves were as futile as any scheme which boasts that by its use overdue accounts shall cease from troubling and the weary cashier be at rest. One supposes that ever since the inception of such an institution as credit there has always occurred some individual who either could not, or would not, pay the debts he had incurred. The former is hopeless. Inability to pay is, of course, extremely unfortunate for the creditor, for if he takes legal redress others join in until, when the defaulter's business estate comes to be divided up among them all, there is only a negligible portion for each.

It is the debtor that "won't pay" who is really amenable to proper treatment. In that category is included the man whose apparent unwillingness to settle up may be accounted for by considering his own unsatisfactory counting house methods, and the other who has a notion that settlement day is not a definitely fixed point in time and an essential part of the contract, but that on the contrary it is in the nature of a "moveable feast" dependent for its incidence on his own whim and fancy.

Straightforward Methods Best

Such a man requires firm and methodical treatment. The "stunt" methods so frequently advocated for extracting from the delinquent a tardy settlement of his account are usually lacking in dignity, and only occasionally effective. Among "stunt" methods I include the sticking on to a statement, for instance, of a printed label bearing some tartly worded

legend as to the decency of sending a cheque by return, or some quasi-humorous, quasi-pathetic appeal to his sense of justice in the matter of prompt settlement. Often the only effect of these is to make the recipient smile and tear the label off before sending the cash six weeks to two months later, that is to say, in his own good time.

The dignified way is to send a letter, or series of letters, couched in the usual business phraseology, plainly stating the simple fact that the account is overdue, and that a remittance is expected immediately. But again, in obdurate cases these will have little effect if they are not sent periodically. Spasmodic treatment is of little use. Reminders should be sent at regular, definite intervals, accurate to the day. Their cumulative effect counts, and moreover they convey the unmistakable impression that the creditor is keeping close scrutiny over his accounts, that he knows exactly what he wants, namely his money, and is going to see that he gets it.

The spasmodic and infrequent reminder indicates defective counting house methods and slipshod scrutiny of moneys due, and the debtor is quick to take advantage of such apparent weakness. The sort of overdue account list kept by the firm which is always complaining of trouble with delinquent accounts is generally a "list" and nothing more—it consists of sheet after sheet closely packed with names and amounts, accounts paid since inclusion struck out, paid and unpaid accounts mixed up in hopeless confusion, no indication as to when reminders were last sent, or as to when the next should go. Such a list, though frequently to be seen, does not justify the clerical



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card the treatment so far as given is summarised. The columns numbered 1 to 4 correspond to a certain set of form letters, each being stronger in tone than the one preceding it, and as each is sent the date is noted.

It will be seen that by this means the work of sending periodic and appropriate reminders is greatly simplified. The clerk has only to select from the list cards indicated by the signal proper to the day, while a glance at the body of the card shows which of the letters is to go. On an account being paid, the fact is noted on the card, and it is then transferred to another section for further use should the firm in question again become delinquent. Meanwhile it serves as an easily accessible record of all bad payers within the experience of the firm, and, in fact, constitutes a trustworthy credit index. Before future transactions are ratified consultation may be made to it to see how the customer behaved over the last transaction, and from this indication of his paying habits shown by an existing overdue account card, appropriate counting house procedure may be put into operation to secure prompt cash, or cash before delivery if the customer is a notoriously bad payer.

Moral Effect of the Systematic Reminder

There is an undoubted moral effect upon the debtor in the systematic reminder periodically and not spasmodically sent. It "reminds" him of the account, and, further, it firmly infers that he cannot evade his responsibilities by merely neglecting them. The business house which puts into operation some such systematic method of treating overdue accounts as that detailed above, invariably experiences beneficial results in quicker settlement of outstanding accounts, with a consequent economy in accounting procedure and expense.

Delays Due to Faulty Equipment

The inference arrived at by many delinquents that the creditor firm which does not show a proper and businesslike insistence on quick collection of accounts is more or less slack and unmethodical is often a correct one. Delay in sending out statements, for instance, is a bad start, and generally has its result in a sympathetic tardiness to settle on the part of the client. Frequently the delay in rendering statements is due not so much to there being a plethora of such to be sent out but owing to faulty ledger equipment and routine, such as the use of bound book ledgers, which limit the manpower on each to that of one clerk only.

The Card Ledger

Where card ledgers are used, their handiness and flexibility allows of the ledger being split up over as many clerks as can be put on the work, with possibly a resultant dispatch in one day of all the statements, instead of their going out in odd batches at different times. Another aspect of the card ledger, too, is that the elimination of "dead" accounts being the work of a second only (by "dead" I mean all accounts on which no balance is outstanding), and this process of elimination having gone on regularly throughout the period intervening between the last dispatch of statements and the present, it ensures that only such accounts as represent statements to be now sent are left in the "live" section of the ledger. The ledger clerk may then proceed quickly with his duties, unembarrassed by accounts which for the purpose of his present work are of no importance, and which, if allowed to remain, only add to the number of cards he must scrutinise and handle unproductively.

Ledger Posting Machines

Where much accounting work is done the many mechanical aids to speed and

efficiency should be seriously considered. Ledger posting machines, automatically totalling up the amounts, subtracting credits, and showing a daily balance of each account, all tend to the one desired effect of securing quick settlement of accounts. When it is considered that with some of these machines as many as four to six accounts can be posted in a minute, and that whether the postings have been made correctly and the ledger is in proper balance may be quickly and automatically ascertained on the completion of each day's work, it will be seen that with their use there is little or no occasion for "rush" work and overtime at the end of the month, and that in consequence the statements are sent out in time.

Time-Saving Hints

Quite a large amount of work on a ledger is really preparatory, that is to say, the bulk of the time is consumed in preparing the posting media and in finding the correct ledger account. Where a clerk is responsible for several ledgers the preparatory work on one may be undertaken by a junior while the clerk is engaged on another. Assume the postings are made from a day book. A junior may be set to extracting from one ledger the cards corresponding to the entries in the day book, these to be handed ultimately to the ledger clerk for his rapid entry upon them of the necessary postings. This saves him the necessity of finding the accounts himself; meanwhile possibly he has been completing another ledger himself. Should it be the case that the postings are made from copy invoices or originals, according as to whether the sales or purchases are being treated, a principle known as "stuffing" the ledger may be profitably

employed. In such a case a junior would take a batch of invoices, and one by one, selecting the appropriate ledger account, would drop the invoice in front of it, allowing the invoice to appear above the general level of the cards so as to render the presence of an invoice prominent. Thus the work is prepared for the clerk, and all he has to do is to turn to his ledger and without wasting time in searching for the account is able to handle immediately all cards on which postings have to be made, such being indicated by the presence of an invoice.

Three Essentials of Success

To sum up—in any credit transaction there is an element of risk, and even the most promising account may become overdue. The best the business man can do is to put in motion certain procedure that will afford a client no loophole for tardy settlement if he has the means to pay. There are three essentials, namely—

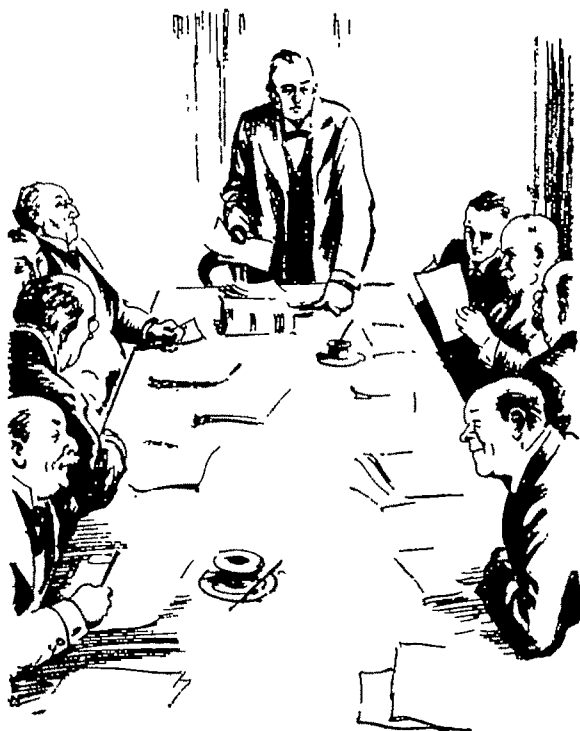
1. A modern form of ledger, either card or loose-leaf, which cuts out the drudgery and ensures that the accounting work can be effected within the prescribed limits of time; ledgers operated mechanically, if the number of daily postings merits it.

2. Prompt rendering of statements, which follows as a consequence of effective routine in the ledger department, since the work is not delayed through inability of the staff to strike the balance to time.

3. Systematic follow-up of delinquent accounts on a clearly defined plan.

These three essentials are all implied in the method and routine outlined above, and if strictly followed, it can hardly fail to ensure that all that is humanly possible at any rate is done to diminish the number of these troublesome and expensive overdue accounts, and this with a distinct economy both in time and collection costs.

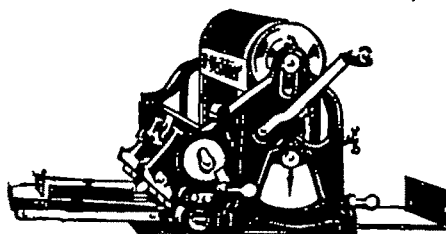
Concerning the "Gestetner"



THE success attending the installation of a "Gestetner" can be attributed to the wonderful SERVICE behind every machine—Gestetner's continually help the operators to improve their results.

In one section of Great Britain alone over 400 "Gestetners" have been installed by business firms since 1st Jan., 1923.

You are invited to investigate the possibilities of a "Gestetner" in your own affairs. Enquiry places you under no obligation.



No 6 Self-Feeding Model "Gestetner"
The machine for all office printing

ITS USES INCLUDE

Circulars	Works Forms
Price Lists	Institution Records
Market Reports	Financial Quotations
Statistics	Office Forms
Designs of all Types	Illustrated Leaflets
Engineering Drawings	Catalogues
	Letter Headings
	Charts—Plans

COMPLETE PARTICULARS POST FREE ON APPLICATION TO

L. Gestetner Ltd.

37 Ludgate Hill, London, E.C.4

Central 7060 (six lines)

When replying to advertisers will you kindly mention "Business Organisation"

READ WHAT THEY SAY

"The magazine is the best of its kind I have seen, and I consider it such an admirable production that I have recommended it to several of my friends, who are now regular readers."

J. P., Edinburgh.

"It is one of the few publications which I make a point of regularly taking and regularly reading. I think it is admirably adjusted to the needs and the interests of the business man."

L. M., Temple, E.C.

"I may say that although I am a regular subscriber to several other business magazines I consider yours the best of the lot."

T. P., Ashton-u-Lyne.

"I have been a subscriber since the first issue and have derived much pleasure and benefit from it."

L. J. R., Wellington.

Business Organisation

keeps progressive minds in touch with one another.

Its special appeal is to the keen Business Man, and above all, to Directors, Secretaries, Accountants and other executive heads.

Many business firms find it pays them to subscribe for several copies every month for the use of their Staffs.

It wins new readers, and it keeps the old.

You can have BUSINESS ORGANISATION posted to you regularly every month for 12s. per annum. Fill up this form and send it, with your remittance.

To Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, W.C.2

Please forward, post free, BUSINESS ORGANISATION for.....
months to commence with No..... in payment for which I enclose.....

Name

Address

Terms: 1 month, 1/3 post paid. Annual subscription, 12/-

Remittances from the Dominions or Foreign Countries must be made by BRITISH POSTAL NOTES or INTERNATIONAL MONEY ORDERS.

Kindly communicate with the Publishers if you have any difficulty in obtaining this Magazine from your Newsagent

WINDOW DRESSING

The Principles of "Display"

By G. L. TIMMINS

THE principles of "display" are fully considered in this book, which has been written for those who are about to take up window dressing as a profession, and also for the guidance of small shopkeepers who dress their own windows.

"Even the experienced dresser will find plenty to interest him in this book, which is capably written and well supplied with illustrations explaining the author's remarks."—*Shoe Trades Journal*.

"Will be worth very much more than its 2s. purchase-money to retailers."—*Furniture Record*.

Fully Illustrated, 2s. net

OF ALL BOOKSELLERS

SIR ISAAC PITMAN & SONS, Ltd.
Parker Street, Kingsway, W.C.2

MAIL ORDER ORGANISATION

The Art of Selling
Goods by Post

By P. E. WILSON

SELLING goods by mail is at once the most wonderful and the most difficult method of doing business in the world—in short, it is a positive science.

Within the scope of this book it has been the writer's aim to present each essential phase of organisation in a straightforward and practical manner, and, commencing with a preliminary survey and working right through to the end, every subject is dealt with in correct order of sequence. The result is that, while necessarily incomplete in certain details, the present work covers the ground in a thorough manner, and enables the whole subject to be recognised and appreciated at its true worth.

"He (Mr. Wilson) is especially interesting on the art of catalogue making, printing, and distributing."—*Liverpool Courier*.

Price 3s. 6d. net

OF ALL BOOKSELLERS

Sir Isaac Pitman & Sons, Ltd., Parker St., W.C.2

Why Advertised Articles should be Preferred

A LARGE section of the public, unfortunately, still has the idea that advertised articles are of necessity more expensive to buy than the non-advertised. The vendor who offers "just-as-good" substitutes fosters this idea for what it is worth, although a little reflection will show its fallacy.

Competition regulates prices, which, broadly speaking, are those which the purchaser can afford, or is prepared, to pay. One manufacturer, by advertising his goods, creates a widespread sale which enables him to increase his output, improve his machinery and methods, and enlarge his factory and staff.

How Advertising Reduces Selling Price

Let us suppose that without advertising he had been able to sell 1,000 articles per annum: by means of creative advertising he is enabled to increase that figure to 10,000 articles in the same period—a very fair supposition.

Obviously, with this increased demand, he can buy his raw materials in greater bulk and cheaper, his establishment charges at the factory are spread over a greater output, and it follows that his cost of making each article is considerably reduced. There are, too, many benefits which go to the buyer besides the reduced selling price.

The manufacturer probably gives his article a "branded" name which implies pride on his part in its quality and workmanship, and a guarantee that it is all that he represents it to be. If the buyer is in any way dissatisfied with an advertised article he knows how and where to obtain redress. The manufacturer at the

same time takes every possible step to ensure that there shall be no cause for dissatisfaction. Extensive advertising will, of course, sell a *bad* article, but not more than once to the same buyer. The whole idea of advertising is to build up a solid trade in repeat orders from the same purchasers: if it does not, it is either the fault of the article or of the advertising. Continuous advertising is, in itself, an implication and a guarantee that an article is good value.

The factors into which the manufacturer divides his selling price are, roughly, four: raw material, cost of manufacture, cost of selling (including advertising), profits. The buyer pays all these.

So that where advertising has cheapened the cost of the first three items the buyer pays less under each of these headings. He probably pays less under the fourth heading too, for although profit is a matter regulated more by competition than anything else, obviously a man satisfied with £1 profit per article on an output of 1,000 can afford to allocate to profit much less per article when his advertising has increased output to 10,000.

Cost of Selling Non-Advertised Goods

It must be borne in mind, too, that the non-advertised article must depend for its sale on local repute and/or the efforts of a staff of travelling salesmen. But it would need the work of an impossibly large force of travellers to equal the power and penetration of an advertisement in the Press of to-day, while the cost per article sold would be so high as to be prohibitive as a sole means of selling.

Put briefly, then, advertised articles carry a guarantee—definite or implied,

it hardly matters which—of replacement in cases of dissatisfaction; have behind them pride of materials and craftsmanship; and, generally speaking, are cheaper than the unadvertised lines.

All other things being equal, it should be the practice of readers to buy what they need from the advertisers in the particular newspapers and periodicals which they favour, and for this reason your attention is drawn to the advertisements in this issue of BUSINESS ORGANISATION briefly summarised below.

The story of the duplicating machine from the days of gelatinous mixtures is one of remarkable progress, and probably this progress is most strongly emphasized in the modern "Multigraph." Its utility in producing letters in perfect facsimile of typewriting, with an ingenious attachment, if needed, for reproducing the signature of the writer, is well known, but is now only part of the story. The later models are complete and compact office printing machines with the aid of which even the junior members of the staff can handle the whole of the printing and duplicating work of the average business. Letter-headings can be printed first and then the imitation typewriting letter added to complete the whole. More ambitious work, such as leaflets, brochures, price lists, can all be turned out quickly and cheaply and without recourse to the professional printing establishment. Obviously, a machine such as this will save its initial cost in a comparatively short time. The literature to be obtained from the International Multigraph, Ltd., 15 Holborn Viaduct, E.C.1, makes interesting reading.

Our readers are familiar with the articles on "The Construction of Effective Selling Literature," by Mr. Max Rittenberg, but they may not know that he is a Consultant in Advertising and Sales Development, and is prepared to carry out constructive work—from the writing of a single letter to the devising of a complete advertising and selling campaign. His address is 33 Henrietta Street, London, W.C.2.

Messrs. Vick, Ashworth & Co. have for some time made a speciality of a threefold statement form, which disposes of the need for a separate envelope and form, yet does the work more effectively and requires less handling. The name and address at the head of the statement also serves the needs of the postal authorities, and so the cost of envelope addressing is obviated, whilst of course the common error of wrongful enclosure is quite impossible, as their advertisement on page 79 makes clear.

On page 153 the At-a-Glance Calendar shows very clearly how a simple device can transform an ordinary monthly card calendar into an office accessory of more than ordinary prominence and

usefulness. Most great ideas are simple, but few are so markedly simple as this. These calendars are specially made up for publicity purposes, the surround or frame being printed with the necessary advertising matter. When these are sent out to prospective customers there is certainly little risk of the basket to which so many calendars are consigned: there is on the contrary every assurance that they will be kept for the purpose for which they are intended.

Messrs. Jordan & Sons, widely known as publishers of legal and secretarial books, advertise (page 83) a selection of their works dealing with company law and secretarial practice. Many of those listed are standard text-books on their particular subjects and of course are of great value to the director, secretary, or the student of commerce.

There are many advantages attaching to an advertising service when it has the merit of being complete in itself to handle the preparation of advertisements, the designing and execution of drawings, posters, showcards, etc., the writing of booklets, catalogues, and their printing, too. The Commercial Publicity Co. is one of the few service agencies that is really self-contained in this way, and when to this virtue is added experience, enthusiasm, and a splendid record of work done it is certain that their announcement on page 153 should be carefully noted against your possible future needs in this direction.

A machine for reproducing from typewriting or pen work letters, graphs, plans, and such other documents as are essential to modern business is provided by D. Gestetner, Ltd., a name well known in this connection. The present Gestetner rotary duplicator marks the high tide of accomplishment in automatic reproduction by the stencil method, and is adapted both for hand use and electric power. Few users of Ludgate Hill can have failed to notice the ingenious and artistic window displays at No. 37 or the corps of lady operators in their dainty uniform overalls busily working or demonstrating this popular machine, of which further details are given on page 145.

If utility is an asset to an advertisement—and we all know how much it counts—the latest advertising blotter production of Thompson and Smith is a sure winner, for in a space of 9½ ins. by 4½ ins. it gives two rules, one in inches and the other in French measure, a three-month calendar, postal, telegraph, and money order information, and a discount table, and still there is ample space for the advertisement. Readers who believe in keeping in touch with economical advertising ideas should send for samples. The address of these advertising specialists is 12 and 13 Canning Place, Liverpool.

One of London's tried and trusted agencies, Messrs. F. E. Potter, Ltd., founded in 1897, whose advertisement appears on the first page of this issue, will send to any business firm a copy of their interesting brochure "World Wide Publicity." This contains the finest testimony of all, for it is a record of what Potter's have actually done during the past twenty-six years.

SPECIAL OFFER TO READERS OF "Business Organisation & Management"

Remarkable Free Book for Directors, Managers and Assistants, which reveals how to acquire most easily a knowledge of "Practical Advertising."

THE "MASTER KEY" TO MODERN BUSINESS SUCCESS

Some of the Contents of THIS FREE BOOK

—Advertising as a Career—the Advantages of Advertising Knowledge to the Trader and Business Man—Why a Knowledge of Advertising is necessary as a Business Aid—as a Profitable and Fascinating Hobby—The Metropolitan College "Practical Advertising" Course—Unique Features of the Course—Well-known Contributors to the Course—the College Tutorial Staff—Economic Functions of Advertising—Importance of a Definite Advertising Policy—Broad Principles of Sound Advertising Practice—An original system of Advertisement Copy Construction—Editorial Write-Ups—Unit System of Headline Building—Topical Advertisements—Type, Type Measurements, and Advertising Typography—Borders, Rules, and Ornaments—Display—Illustrations (many examples)—Lay-outs—Proof Reading and Correction—Rough Sketches—Hand Lettering—Decoration—Trade Marks—Engraving—Printing and Relative Advertising Technique—Selection of Media—Newspapers—Periodicals—Circulation—Space—Outdoor Advertising—Posters, etc.—Advertising Literature (Types of)—Conceiving, Writing and Laying Out Literature (illustrations)—Follow-Up System—Catalogues—Business Stationery—the Law of Advertising—Mail Order Advertising—Enquiries and Records—Advertising Agents and Consultants—How to Enter the Profession—The Advertising Appropriation and Estimate—A Complete Advertising Campaign—The Metropolitan College Diploma—Short Time Required for Study—Messages from Prominent Public Men and from Gentlemen Holding High Positions in the Worlds of Commerce and Advertising—Names of many Large Firms employing Metropolitan College Trained Men—"One of the Really Big Industries" (His Majesty the King).



IT is the *selling* and *not the making of goods* that is the problem of modern industry.

THE "Master Key" to more and yet more sales—and even to orders in advance of manufacture—is ADVERTISING. Henry Ford is the world's leading manufacturer of motor-cars because he is also the motor world's leading salesman. Bovril, Oxo, Glaxo, and Mackintosh's Toffee are only a few examples of the ever-growing number and variety of products the popularity and assured sales of which are "broadbased upon the people's will" by Advertising.

ALL Business Men—from Managing Director downwards—interested in increasing sales, profits, and their own personal remuneration, are invited to read the remarkable booklet entitled "Practical Advertising" now offered gratis and post free to "BUSINESS ORGANISATION AND MANAGEMENT" readers.

This free booklet reveals how to acquire most easily and quickly a practical knowledge of the Art of Advertising that the reader can apply to his business and personal profit. It gives details, too, of a course of instruction which may be studied in odd moments—in the train, at home, while waiting anywhere, etc. This course of instruction has been compiled and contributed by many well-known successful users of Publicity and Leading Advertising Experts.

See in this remarkable Book (Free) how to acquire in a month or two practical knowledge of Advertising such as would otherwise take years of costly experience.

The future is brightest for those business men who have practical knowledge of Advertising. Sooner or later almost every business must Advertise or *decline*. Advertising is no longer a luxury—it is a modern business necessity, and a practical knowledge of Advertising is every commercial man's most paying policy of business insurance. Without the knowledge described in detail in the book now offered gratis and post free to "BUSINESS ORGANISATION AND MANAGEMENT" readers, the modern manufacturer, merchant, wholesaler, retailer, director, manager or assistant is facing the future with his hands tied.

In justice to yourself and your future position in the business world

Write To-day for the Free Book "PRACTICAL ADVERTISING"

Its reading can be worth more to you than merely inert monetary capital, for a knowledge of Practical Advertising is active mental capital.

You are welcome to a Complimentary Copy. Address

METROPOLITAN COLLEGE,
Dept. 122, ST. ALBANS.

To The Secretary,
Please send me, FREE and POST PAID, a copy of the Illustrated Book "PRACTICAL ADVERTISING," without obligation of any kind.

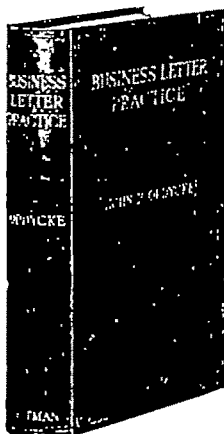
Name.....
(Surname in block letters)

Address.....

METROPOLITAN COLLEGE, Dept. 122, ST. ALBANS

Business Letter Practice

By John B. Opdycke



THE chief feature of this remarkable book is the number of examples of business letters of an unique and forceful character. They are typically American, and their original and compelling style will astonish and arouse the admiration of the Britisher. The Author shows how everything from personal efficiency to ordinary commodities can be sold by the business letter : and examples of letters on every conceivable subject connected with business, which will provide new ideas and new ways of approaching old subjects, have been given.

"All the science of letter writing in its every business aspect has been exhaustively treated and numerous examples are given, both of how letters should and should not be written."—*The Advertising World*

Demy
8vo
Cloth
602 pp.
7s. 6d.
net

SIR ISAAC PITMAN AND SONS, LTD.
PARKER STREET, KINGSWAY, LONDON, W.C.2

JUST OUT

COSTING ORGANIZATION FOR ENGINEERS

By E. W. WORKMAN, B.Sc., A.C.G.I., A.L.A.A.

This book is written for the use of engineers and also for engineering apprentices and students who are coming into contact with the complicated organization of a modern engineering works for the first time, and who want to obtain some knowledge of the whole system in which they have a place. Cost and Works Accountants will also find it informative. It contains a straightforward history of what happens to an order for the manufacture of engineering goods, and of how, on completion of the work, the cost of the order is found. It is assumed that the work is being done in a typical engineering firm whose manufactures of electrical and mechanical apparatus provide employment for from 5,000 to 10,000 persons.

WELL ILLUSTRATED WITH FORMS AND PHOTOGRAPHS.

Cloth gilt, 3s. 6d. net - - Of Booksellers

SIR ISAAC PITMAN & SONS, LTD., PARKER STREET, KINGSWAY, LONDON, W.C.2

Extract from the
Foreword by
A.P.M. FLEMING
C.B.E., M.Sc.Tech., M.I.E.E.

"The importance of an accurate knowledge of costs in engineering manufacture should need no emphasis, and the study of the fundamental principles such as are dealt with in this book can be cordially recommended to every young man engaged in engineering manufacture."

Finance for Business Men

By OUR FINANCIAL EDITOR

Useful guidance for investors is given in this regular feature, and the business significance of current financial developments clearly explained.

Debts and the Exchanges

NOW that the arbitration award on war debts owed by our Government to Canada is declared our liabilities in respect of financial assistance advanced by the Dominions are substantially straightened out as between the old country and her colonies. Both Indian and Australian debts have been arranged by mutual agreement, and it is now decided that the vexed question of exchange rates in respect of our indebtedness to Canada relative to war advances is at last settled. Cancellations arranged for as between ourselves and Canada have been adjusted at \$4.86½ to the pound; but in respect of what one might call settlements of surplus indebtedness, such settlements will be reckoned at the current rate of exchange at the time of payment by our Government. The premium existing on Canadian dollars for the war years and, indeed, until the recent strong rise in sterling, showed that if payments by us to Canada were to be settled by the then ruling rate of exchange, that an amount of over 32,000,000 dollars would be in question; while the arbitration award, as arranged between the two countries, reduces this sum by the amount of approximately 75 per cent. Were a country such as ourselves to pay debts when exchange is low, recent history shows that such a country would lose in more ways than one—it will lose in that, for all practical purposes, it will have to purchase a currency at a premium to its own; and it will lose in the fact that commodity prices at the time were relatively much higher than at a later date, when its currency has appreciated and when index numbers show that commodity prices have substantially dropped. Hence, if we had had to pay Canada some \$1,200,000,000 or

thereabouts while our currency was at a discount to Canadian currency and when high values were ruling for commodities at the time, our loss would not have been limited to the difference in the rate of exchange only, but an additional loss would have been borne by the people, owing to the decreased value of money because of the dearness of the many necessities of existence.

On the other hand, from the Canadian point of view that country would certainly have scored very heavily had reimbursement been made at exchange values so heavily in their favour; because for some time now, although the premium on the Canadian exchange has declined, yet the cost of all commodities has very substantially depreciated, and if Canada were paid at rates highly favourable to that country with sterling at a discount, the purchasing power of sterling would so much have appreciated that the profit on the transaction would obviously be unfairly prejudicial to British interests.

The Jobbers' List

For the last eighteen months or so the increasing demand for the high-grade fixed interest-bearing security has been such that gradually it has become more and more difficult to buy any quantities of these most desirable securities; hence a painstaking investor may investigate one, two, or more stocks and decide on a purchase only to find that when he approaches his broker there is no immediate prospect of getting the stock, and at the best he is put on a waiting list to buy at such time as a certain proportion of the stock may be realised and come on the market.

Every investor is not aware of the fact

that the jobbers in the various markets publish periodical lists of securities as they come on offer, and occasionally include items that are wanted. These lists ought to be obtainable through brokers, and should save a considerable amount of useless investigation, as the investor with such a list before him would be able to decide on and investigate securities which he would have a very fair prospect of obtaining if his order were not too long delayed. Such lists give approximate prices, yields, redemption dates, etc., and should be of considerable assistance in helping to add to one's list of investments. As certain brokers keep intimately in touch with conditions on the provincial exchanges, it happens that excellent types of securities not dealt in to any extent on the London Stock Exchange are brought to the notice of the Southern investor, and if he cannot get £1,000 of the stock he wants it is probable he may be able to get £500 of it, and further indications of equivalent stocks on offer.

Conversion Considerations

Government conversion offers under to-day's condition need a little reflection from the investor's point of view before being acceded to: for example, the recent offer to convert £100 National War Bonds (2nd Series) redeemable 1st April, 1923, into £100 4½ per cent Treasury Bonds, 1932. The series of National War Bonds by conversion into War Loan (the option expiring in October last) had shrunk from £128,000,000 to £28,000,000, and therefore, if a large aggregate of conversions have transpired, the loss to trade—on the assumption that the National War Bonds might alternatively have been paid off and reinvested in commercial enterprises—is limited to the substantially smaller residue available for conversion. There does not appear to have been much inducement to convert in so far as concerned the bonus of £2 15s.; for the bonds were redeemable at £102 with the buying price at 102½, and the only and somewhat questionable advantage accruing from the conversion would appear to have been the exchange into a longer dated security.

It is this question of the longer dated

security, presupposing benefit to the investor on the assumption that the present reign of relatively cheap money is likely to be permanent, that requires consideration in respect of these Government offers. If the Government financiers are convinced that the present ruling money rate is likely to continue, and possibly become lower still, then it would pay then to wait till conditions arose that would make, let us say, an offer of 3½ or 3¾ acceptable. On the other hand, if they have formed the conclusion that trade is going ahead and that public confidence in trade will suggest the advisability of the investor securing to himself higher interest-yielding investments with participating rights in trade profits, or investments not fixed in yield, they will naturally prefer to secure the public's money while there is plenty of it about for the fixed interest-bearing investment, and before active trade conditions produce a state of affairs that will make for borrowing at a higher rate.

For some years now the commercial bill has retired into the background and much benefit has accrued to the Treasury in that their representative bond or bill has successfully supplanted, or to be more precise, met the need for a security to absorb floating funds. Yet it should not be overlooked that such conditions may not continue. The time is coming, and it may come more rapidly than anticipated, when expanding trade and industry through its bills and securities will compete successfully for pride of place with the Treasury Bill, in spite of the fact that the Government appears to be alive to this consideration and is consolidating the money vested in the short-dated Treasury Bill, and in such securities as the series of National War Bonds quoted as an example, through the medium of conversion into the Treasury Bond of longer life. To some extent it may be argued that what the Government takes with one hand it returns in great measure to the people with the other—as against these conversions, for example, might be pointed out the Trade Facilities Act and the like; but the trader and the merchant will argue that this principle of the commercial "dole" is altogether

The ADVERTISING CALENDARS! *Silent* CANVASSER

WORKING for you—silently, efficiently, every day, every month in the year, booming your name and product where the business man glances dozens of times a day.



That's what the "AT-A-GLANCE" Calendar does for you. It has a direct advertising appeal, while the

novel movable Date Indicator assures for it a prominent position in the office when other calendars have long been thrown away.

Write for illustrated catalogue to-day, showing specimens of how your name and product can be displayed.

□

*Note the
Date
Indicator*

The "At-a-Glance"
Calendar Co., Ltd.

O Dept.

Finsbury Pavement
House, London, E.C.2

'AT-A-GLANCE'

REGD



Advertisements that sell

We plan, design, and "place" such advertisements—interesting, powerful—sales producing

Write now for particulars of our free criticism offer

The
Commercial Publicity Co.

Albion House

59 New Oxford Street, London, W.C.1

Telephone - - - Museum 7771

An Important New Book for Cost and Works Accountants

NOW READY

COSTING & PRICE-FIXING

By J. M. SCOTT-MAXWELL

B.Sc., M.I.E.E., F.C.W.A.

With a Foreword by LORD WEIR

¶ This book gives briefly the general principles of costing and, in detail, a complete system applicable to a factory manufacturing a large variety of engineering apparatus. Part of the system is applicable as a complete system to any factory which produces a considerable variety of finished products which it can manufacture in fair quantities and sell from stock. The complete system described in this book is applicable to any type of product which cannot be completed or even started until the order has been actually booked and full technical data received from the customer. Many very elementary points are dealt with, so that the subject may be quite clear to students and to anyone in the business of production who has never previously given it any attention. As it describes a complete and practical system, the book will also appeal to the expert cost accountant, whether employed by one firm or engaged in cost accounting as a profession.

CONTENTS

HISTORY AND PRINCIPLES
GENERAL OUTLINE OF PRODUCTION AND COST SYSTEM
THE CONTROL AND PRIME COST OF MATERIAL
WAGE SYSTEMS AFFECTING LABOUR COSTS
PRIME COST OF LABOUR
PRODUCTION ONCOST (STANDING ORDERS)
PRODUCTION ONCOST (EX STANDING ORDERS)
PROCESS COSTS (FOUNDRY)
MONTHLY PRIME COST BALANCES OF STOCKS
SALES ONCOST
DISTRIBUTION OF SALES ONCOST
FINAL RECORDS FOR THE MANAGEMENT
GRAPHICAL RECORDS
THE EFFECT OF PRICE-CUTTING UPON PROFITS
THE ETHICS OF SALESMANSHIP AND COMPETITION
INDEX

IMPORTANT

The principles and details as set forth in this book have been practically applied by the author during the past fifteen years, and deserve the earnest attention of all concerned with costing and works accountancy.

LORD WEIR says in his Foreword to this book—

"We should welcome any contribution such as this, which attempts not only to point the way in detail, but also treats of the broader considerations in regard to the value and importance of Production and Cost Accounting.

"I commend the Author's work to the fortunately ever-increasing number of those who are becoming enthusiastic and active in regard to Cost Accounting."

OF BOOKSELLERS

Price 6/- net

OF BOOKSELLERS

¶ If you are interested, please write to the Publishers for full particulars

Sir Isaac Pitman & Sons, Ltd., Parker Street, Kingsway, London, W.C.2

unnecessary and likely to be invidious. They are the best judges as to where expansion will bring the best results, and given the funds they can carry out the business. Consequently, and it would appear justifiably, the trader and the merchant argue that the Government should, under to-day's conditions of reawakening industry, retire gradually yet emphatically from the financial arena in so far as seeking to consolidate floating funds, and cease to compete for money increasingly in demand by trade.

These points are worth considering by the investor holding first-class securities on which conversion rights arise and receiving the suggestion to convert into Treasury Bonds and the like. If trade is going to be what indications to-day point to, it will pay him to aid directly in the financing of that trade and help the big push, rather than to accept a rate of interest that may automatically mean a depreciation in capital value long before the redemption of the Treasury Bond.

Assets and the Pruning Knife

It is not when that one hears of so drastic a reorganisation as that which has recently taken place in respect of Apollinaris & Johannis, Limited, importers of natural mineral waters. The company, prior to the war, acquired substantial assets in Germany and no doubt at some future date these assets may again be of considerable value, and compensation in some form or other should doubtless be forthcoming eventually in respect of them.

The reorganisation scheme includes the reduction not only of the capital but a substantial reduction in respect of the 4 per cent Irredeemable Debenture Stock. The £10 preference shares are to be written down to £6 and the £10 ordinary shares to £2 each, reducing the capital from £2,380,000 to £952,000. At the same time the arrears of preference interest are to be cancelled and the preferential rights waived—the two classes of shares standing as £1 ordinary shares; the preference shareholders receiving six of the new ordinary shares for every £10 share, while the ordinary shareholders

will receive in respect of each £10 share two £1 shares.

In August, 1916, at a meeting of the debenture holders it was decided that in lieu of cash they should accept deferred interest certificates carrying interest at the rate of 6 per cent, payable in cash half-yearly out of the general assets of the company; the right to cash payment in respect of interest on the debenture stock being suspended until one complete financial year of the company after the signing of peace. The holders of the deferred interest certificates are now to have their interest reduced by 1 per cent, i.e. from 6 per cent to 5 per cent, but against this reduction the company is to set aside a sum each year which, including the interest on the outstanding certificates, shall make up £14,280 per annum, thus creating a fund which will be applied in purchase of the certificates or cancellation by drawings.

The debenture stock is to be reduced from £850,000 to £680,000, while the rate of interest is increased from 4 per cent to 5 per cent. This is tantamount to leaving the yield of interest unchanged, but substantially reduces the capital claim of the debenture holders in the event of liquidation; at the same time a sinking fund will be inaugurated out of net profits equal to one-half per cent per annum on the lesser amount of stock, and purchase of debentures by the company will commence as from 1st April, 1923.

Although that most sacred item the "Trust Deed" in respect of debentures has been violated, yet actually the debenture holders are left in a better position, as they receive against the reduction of their capital claims interest equivalent to that hitherto forthcoming, and in addition possess enhanced prospects of getting their money back. The preference shareholders appear to be making the greatest sacrifice by the loss of preferential rights and arrears of dividend. As against this, however, the wiping off of the deferred interest certificates should bring substantially nearer the distribution of dividends, and further, the preference shareholders will acquire a big voting interest in the company.

The "Gilt-Edged" Rise

The steady rise in gilt-edged securities over the past few weeks is doubtless the result of several contributory factors, and although one factor may be included, viz. the sending of money in some form or other to London from the Continent on account of the instability of the franc due to unknown values arising from Franco-German political relations—which affect other continental countries as well as France—yet this can hardly be but a minor factor. English financiers cannot be considered as being over anxious to acquire either francs or French credits under present conditions, and although the French may be keen on, let us say, transferring their credits to London, yet the process would be expensive and not appreciably affect our floating credit. Continental securities or gold sent here would, of course, increase the floating supply of our money and would strengthen the investment position; but neither operation, as far as can be ascertained, is being effected to any appreciable extent.

There have, of course, till very recently been extraordinarily few public issues to absorb floating funds, and thus the process of investment in the ruling securities has not been subjected to interrupting agencies by which a slightly higher rate of interest might be secured.

The prospects of a reduction in the income tax it is probable may have induced a number of investors to buy British Government securities, and thus endeavour to obtain a capital appreciation in a short

period that would pay them equally as well as investing in a higher rated security of a lower class. It is astonishing how (the wish being father to the thought) even the most conservative of investors like to insinuate the suggestion of the speculative into their dealings if the somewhat theoretic "absolute" security of capital is not departed from. Hence we are inclined to think that "speculation" on the income tax is quite likely to have been an appreciable factor in the recent rise of first-class fixed-interest-bearing investments.

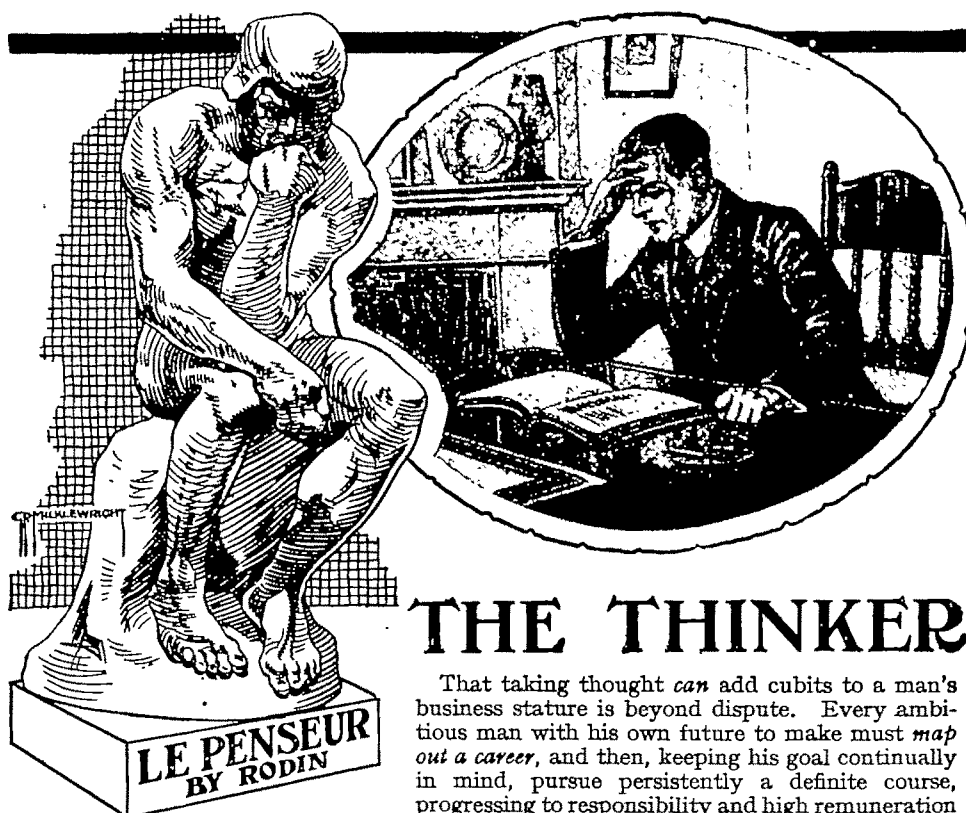
The foreign market for some time has not been in the highest favour with the conservative British investor. He is convinced that British credit is the best of all, and certainly recent developments in regard to our currency and to the gradual but steady increase in trade suggest that his judgment is sound; although at the present moment he is not sufficiently convinced that trade is going so straight ahead as to warrant the change from the gilt-edged investment to that representative of trading interests to any extent.

The general reason therefore for the continued rise in our gilt-edged favourites may be expressed as substantially due to a demand that is persistent and founded on excellent deductions that appear obviously good enough; at any rate for the time being; and if, as seems probable at the time of writing, the income tax is reduced, our "conservative speculator" should certainly be a few pounds to the good on which they will not have to pay even the reduced tax.

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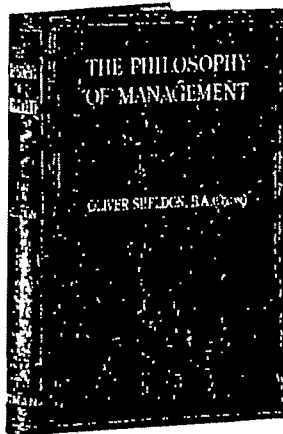
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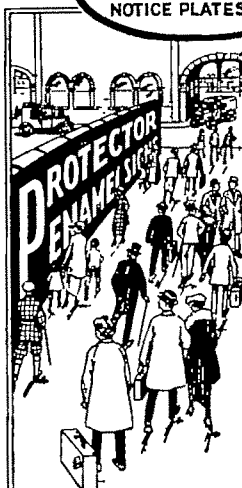
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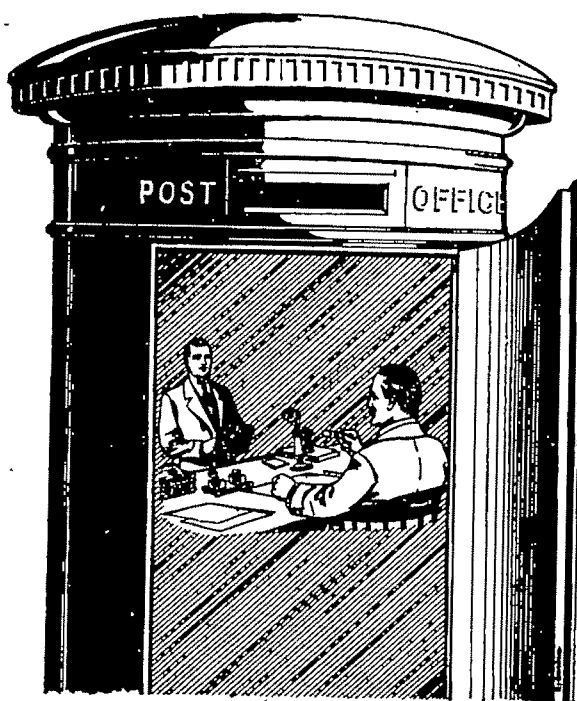


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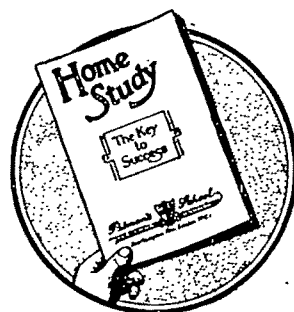
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Notes and News

Industrial League Development

THE Industrial League and Council has amalgamated with the Production Council and will carry on as much of the work of the latter body as is consistent with its principles. Lord Waring, the president, becomes a vice-president of the Industrial League and Council, which now unites four bodies with similar objects, namely, the Industrial League, the Industrial Reconstruction Council, Industrial Information, and the Production Council.

* * *

Talented Brothers

Dr. L. Dudley Stamp, younger brother of Sir Josiah Stamp, K.B.E., D.Sc., the well-known economist and secretary of Nobel Industries, Ltd., has been awarded by the Mining and Geological Institute of India their Gold Medal for 1922 (the highest award) for his research on the oil-bearing tertiary strata of Upper Burma. In addition, the Government of India have awarded him their special

prize of 500 rupees for the same work. Dr. Stamp, who has been Geological Adviser to the Indo-Burma Petroleum Co., Ltd., for the past nine months, has now been appointed Professor of Geology and Geography in the University of Rangoon. He has only lately passed his twenty-fifth birthday.

* *

The Cost Accountants' Charter : Professional Opposition

Very pointed reference to the Institute of Cost and Works Accountants was made last month at the annual meeting of the Society of Incorporated Accountants and Auditors by the president, Sir James Martin. He said—we quote from the *Financial News* report—

A petition for a Royal Charter has been lodged by the Institute of Costs and Works Accountants, Ltd., which was incorporated under the Companies Acts on 8th March, 1919, for the purpose, it is stated, of securing a definite professional status for cost accountants and for persons engaged in similar occupations. The petitioners whose names are set out are Lord Leverhulme, Lord Weir of Eastwood, and other influential persons who are not cost accountants or accountants of any other kind or description, and the council of your society have lodged a petition in opposition to the application on that ground, and also on the ground that the cost accountants included in the institute are mainly, if not wholly, employees of companies and firms who do not and cannot constitute a profession. I do deprecate not only in this case, but in many cases, the formation of companies and associations purporting to represent professional interests, but claiming privileges not on the individual or collective merits of the persons actually affected but supported by the names of well-known public men who lend themselves to movements in which they are not personally engaged.

* *

A Curious Attitude

Professional status is, of course, almost a sacred thing, and for it to be jealously guarded is reasonable enough. But one may be permitted to doubt whether the attitude reflected in these remarks serves any very useful purpose. It is certain to provoke ill feeling, and very likely to

prejudice public opinion in favour of the younger society. Moreover, the grounds of objection by the Incorporated Accountants are not in themselves impressive. Should accountants, because they are employees, be debarred from the enjoyment of professional status? Would the Society of Incorporated Accountants apply such a principle to its own members? Again, the interest manifested by Lord Leverhulme and Lord Weir of Eastwood in cost accountancy is well known and of long standing. Because they lend their support to action intended to secure higher status for a society with which they are connected by virtue of their interest in its objects, can it be justly said that that society is claiming privileges, "not on the individual or collective merits of the persons actually affected," but on the grounds of their support? It may be doubted whether this step represents the unanimous views of the Society of Incorporated Accountants. Certainly, many accountants, whose professional status is unimpeachable, sufficiently approve of the Institute of Cost and Works Accountants to associate themselves with it as members.

* *

A Troublesome Legal Decision

The difficulty which was created by the House of Lords decision in the Glasgow Rent case, where it was held that a landlord had no right under the Rent Restriction Act to increase the rent of his tenant without giving formal notice has caused enormous trouble. Put briefly, it is that the landlord who had collected excess of rent under the provisions of the Act, without having given formal notice of his intention to increase, has been ordered to refund the amounts so collected. It is, indeed, doubtful whether any previous decision of a Court of Law has caused so much difficulty, and it is by no means certain that the relieving Act

which the Government is pressing through Parliament will meet the whole case.

* *

A Dip into the Past : The Slipping-out Habit

Investigation into the history of our old-established commercial companies reveals many interesting features of commercial life from which we have entirely departed. For instance, the Guardian Assurance Office, of Lombard Street, up till quite early in the nineteenth century, kept a cask of ale under the counter for the refreshment of the clerks. No doubt this was intended to prevent adjournments from labour to refreshment taking people outside the building in which they worked. The habit of slipping out still remains, however, judging by the crowds which may be seen in the coffee houses in our great commercial centres at any time from 11 in the morning to 12 noon. The only difference is that instead of alcohol, the young people drink coffee and smoke cigarettes—habits which entirely derive from the war.

* *

And a Look Ahead

It is almost impossible to picture in the mind's eye a large commercial office of those days when all letters were laboriously copied by hand into the letter book,

when the cash was sent to the bank at quarterly intervals, reposing in the meantime in the strong box locked with three keys of which one was held by each of the three chief officials, and when multiplying appliances, calculating machines, fountain pens, telephones, heat radiators, card

systems, and type-writers were quite unknown. It is quite certain that a hundred years hence our successors will be as much amused at our puny labour-saving appliances as we are at the slowness of our forefathers in the year 1823. The worst of it is that labour-saving appliances do not add to leisure. They merely get more work done in the same time.

* *

Professional Workers and the Trade Unions

A very interesting and important debate took place recently in the House

of Commons on a motion raised by the Labour Party on the desirability of associating "professional workers" into trade unions. The particular question rather turned on the status of the Guild of Bankers' Clerks. The demand made by the Labour Party was that the formation of such Guilds, which in effect would be trade unions, should be encouraged. It is generally known that both the banks and the great insurance companies favour the organisation in their offices of what are known as Internal Guilds, the object being to provide ready access from the Staff to the Board for the discussion of



Photo

Elliott & Fry

SIR JAMES MARTIN

Who retired from the presidency of the Society of Incorporated Accountants and Auditors at the last general meeting, and is succeeded by Mr. George Stanhope Pitt.

legitimate grievances, of applications for increased salary scales, and matters of that kind. But, so far, the companies have set themselves strongly against the formation of general Guilds of the same type, whereby a dispute in one bank or insurance office might lead, for instance, to the calling out by walking Guild delegates of all the bank or insurance clerks and so bring about a complete paralysis of business.

* *

Probable Administrative Developments

It will be interesting to see how this matter develops, for the Government accepted the Labour motion. There is no doubt that the Ministry of Labour will now support the Guilds, and directors will have to consider carefully the best course to adopt to avoid the danger which stares them in the face should general organisations backed by a Socialist ministry attain real power. An equally serious danger faces the men if their policy is driven too far. It stands to reason that in all great concerns there must be a number of high officials on the Board side of the table, and it is equally plain that under no circumstances can men in that position be permitted to become Guildsmen or Trade Unionists any more than men are so permitted if they hold relatively the same positions in factories and workshops. In practice this must mean a division of the staff into two classes, one, of those of probably inferior early education, who would elect to stand by the Guild, and the other of the university and public school type—who claim that at present they are not sufficiently recognised in business—who would stand by the directors. The plums of office and the choice of positions would usually be reserved for members of the higher division—as in the Civil Service—who in the event of a strike would be ready to carry on the business and assist

the directors to build up a new staff for that purpose. Their first job would be to keep the doors open.

* *

Accountancy Competition and Advertising

Interesting reference was made in the presidential address at the annual meeting of the Chartered Institute of Accountants last month to the amount of competition for accountancy work. Advertising or touting for business is prohibited by the Institute, but it was pointed out that in certain cases descriptive titles had been used by members which infringed the standard. Competition for accountancy work was keen, and sometimes it came from members of other organisations or from those without any qualifications at all. Income tax recovery agencies and income tax “experts” abounded, and such practitioners were free to advertise and in many cases were subject to no discipline or control. It was suggested that an announcement in the Press that their members were qualified to deal with such business, but were not permitted to advertise, might help in certain districts, but to be of any real assistance a very substantial and continuous outlay on advertising throughout the provincial and London Press would be necessary. This, it was stated, would hardly seem to be justified, but those members who have been hit by the competition described will have their own opinions on this point. If the present strict regulations against individual advertising are to be maintained, a generous scheme of advertising by the Institute on behalf of its members would appear to be called for, and many accountants feel that it is very desirable in the interests of the profession as a whole.

There was a net increase of 180 in the total membership of the Institute, which on 1st January last stood at 5,822.

Novel Costing Propaganda in America

It is well known that acute differences between employers and employed frequently arise solely from the workers' inability to obtain the facts relating to the costs of production and distribution of the particular commodities in the manufacture of which they are engaged. Such facts are shown in their true relation to prices and profits in the details of cost accountancy, and they could be given wider publicity without any risk of divulging valuable trade secrets, and with very great advantage to the community.

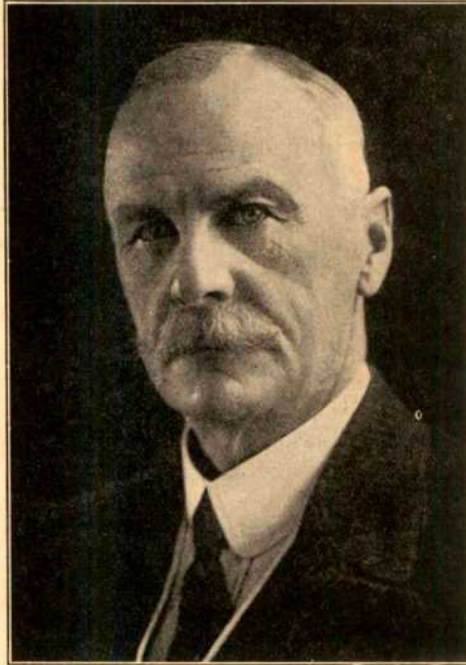
In America this aspect of cost accountancy is appreciated, and the National Association of Cost Accountants have recently performed useful public service in broadcasting from eleven transmitting stations covering the whole of the United States and Canada a series of popular weekly talks specially prepared with a view to bringing out what cost accounting means to the consumer. Many business men in this country would be prepared to support Mr. J. P. Jordan, president of the Association, in his statement in the first talk that if consumers had a real conception of what sound costs in industry meant to them, they would bring the whole weight of their opinion to bear on manufacturers and distributors in order

to compel them to conduct their business upon a basis of accurate cost data.

* * *

Sickness Insurance for Business Men

A form of policy which is increasing rapidly in favour among business men is the All Sickness and Accident Insurance, about which the Liverpool and London and Globe Insurance Co., Ltd., have recently issued a new prospectus. The scale of benefits is a generous one, and medical examination is unnecessary. Illness is the one contingency against which the State feels it imperative that wage-earners shall be assured. Business and professional men are excluded from participation in the State scheme, it being rightly assumed that they are in a position to make provision for illness risks themselves. To



Photo

Elliott & Fry

THE HON. CHARLES NAPIER LAWRENCE

Chairman of the London, Midland and Scottish Railway, who paid a five-days' visit to Manchester last month to make himself acquainted with the city's representative business men and to inspect leading local industries. The L. M. & S. Railway is one of the world's greatest business and commercial organisations, and employs 350,000 men.

all who would enjoy that freedom from anxiety which arises from the certainty that they are well covered, the proposals of the Liverpool and London and Globe Insurance Co. will be attractive.

* * *

Ban on Sky-writing

One of the provisions of the new Advertisements Regulation Bill, which passed its second reading in the House of Lords last month, prohibits aerial advertising by means of smoke or other visible fumes.

It is stated that the big advertising interests do not favour this particular form of publicity, and that the section against smoke advertisements was, in fact, inserted at their request. The Bill has the support of both the Advertising Section of the London Chamber of Commerce and the Scapa Society. The principal object of the measure is to extend the facilities enjoyed by local authorities under the Advertisements Regulation Act, 1907, to make by-laws which will prevent the disfigurement of public parks, and pleasure grounds and the natural beauty of a landscape. These by-laws will be subject to the approval of the Home Secretary or the Secretary for Scotland, who may hold inquiries for the hearing of objections.

* *

A Problem for Mill Managers

There is growing disinclination among boys and girls in Lancashire and Yorkshire to enter the mills, and proprietors and managers are becoming concerned at the prospect of a shortage of labour. How to make mill life more attractive to young people is, therefore, an urgent problem. The question was discussed at length at the spring meeting of the Textile Institute, held in Manchester last month, when various papers dealing with factory conditions were read. Mr. A. Pollitt, president of the British Association of Managers of Textile Works, said that the uncertainty of continuous employment was mainly responsible, deterring many parents from putting their children in the mills. He also threw out the interesting suggestion that it was due to novelists and playwrights who wrote about the bad conditions of former days that factory life was now unpopular.

* *

The Mill "Mother"

Mr. Benn Turner, M.P., urged that there should be a "motherly kind of

person" in every department where girls are employed, who would mother them in their headaches, eye-aches, and even heart-aches. There were too many grumpy people in charge of a mill. "If we get more human it does not mean that we shall make less profits," declared Mr. John Emslie, chairman, the president of the Textile Institute. He could not go into his mill, he said, without doing what he could to brighten it.

The root of the matter is probably that while much can be done by welfare work to make employment in the mills more attractive, until the economic difficulty is overcome and parents have the assurance that it offers reasonable security, they will continue to discourage their sons and daughters from adopting it as a livelihood.

* *

Liverpool's First Store Post Office

In our February issue, on page 360, we alluded to the modern factory methods employed by Messrs. Lewis, Ltd., who possess at Liverpool and Manchester the largest departmental stores in the North of England. This enterprising firm has now opened the first post office to be established in a Liverpool business house, where a branch, termed officially a "restricted post office," has been built to be known as the "Ranelagh Street Post Office."

An experienced postmistress has been appointed by the firm, and the business transacted embraces all that is usual at a post office, excepting that relating to the Savings Bank and to money orders. Postal orders and all kinds of stamps are sold, and telegrams are also accepted, being dispatched to the G.P.O. by means of a special private wire. Three telephone call-boxes for trunk and local calls have also been installed near the counter. Letters may be posted as at a pillar-box, and collections are made at the usual hours.

Wages and Currency

By PROFESSOR J. H. JONES, M.A.

Professor of Economics, Leeds University

This closely reasoned article by one of the most brilliant of English economists boldly challenges certain widely accepted principles of wage determination. Professor Jones criticises the Treasury, whom he accuses of having left Industry in the lurch, and urges manufacturers to call for the restoration of the free gold market, and for a declaration of the Government's financial policy.

EVERYONE is familiar with the two arguments almost invariably advanced at meetings of Conciliation Boards or submitted to an arbitrator in a wages dispute. One side refers to variations in the cost of living, the other emphasises the earning capacity of the industry concerned. "Wages should be regulated by the cost of living." "No industry can continue to pay in wages more than it receives as payment for its services after deducting other necessary outlays." These dicta have been elevated into "principles" of wage determination which are supposed to stand in contrast with each other. The Conciliation Board or Arbitrator is expected to reconcile such "principles" or to find some compromise between them. My thesis is that insistence upon these dicta during the last four years has led to serious errors in policy which, in turn, are in danger of intensifying labour difficulties during the next trade revival.

Three Distinct Wage Problems

Let me first of all indicate the nature and limits of the problem with which I am concerned. There are three distinct and separate wages problems. The first is concerned with methods of payment, which are largely determined by the nature of the work or the organisation of the industry. Piece-work in engineering and cotton production, day-work in agriculture and collective profit-sharing in coal mining may be quoted as illustrations

of this problem. The second is that of fixing the appropriate relationship between wages (and salaries) of different classes of workers. This relationship will be determined by such factors as skill and training, physical danger, financial security, etc. The difficulty of placing an occupation in its proper economic setting has often proved serious and caused strikes, of which the moulders' strike of 1920 may be noted. The third problem is that of fixing the wages of the representative worker around which other wages will be grouped—in other words that of fixing the general level of wages. I shall be concerned only with the third problem, and I shall use the term "wages" in the broadest sense as representing payment for all forms of human effort which have payment as their object. I do not suggest that the second and third are always separated in the minds of the people affected; the wages for each industry are usually settled without immediate reference to the conditions prevailing in other industries. Nevertheless they are clearly distinguishable. I wish to assume that the relative wages paid in different occupations have been adjusted to the satisfaction of the interested parties.

Wages and the Cost of Living

If we examine the claims made during the trade boom for advances in wages and the arguments against reductions employed during the present depression

we find that they rest on two grounds. Sometimes it is contended that wages should vary with the cost of living, at other times that wages should be advanced at the expense of dividends upon capital. These are frequently advocated by the same people, but they are inconsistent, if not, indeed, mutually destructive.

The principle of varying wages according to the cost of living has now been widely endorsed not only in private industry but also in public service. If it were not inevitably futile it would still be socially undesirable. Such a principle denies any share to "labour" of the results of progress in the field of invention and organisation. Technical progress means an increase in the total result achieved by the expenditure of a given amount of human effort. If all wages rates remained unchanged costs, and therefore competitive prices, would fall, and the constant money wages would enable "labour" to enjoy a steadily rising standard of living and thus share the benefits of progress. If, in consequence of the fall in the cost of living, wages were reduced the share which might otherwise have gone to "Labour" would now, for a time, go to Capital. But the process would be repeated again and again.

It is, however, physically impossible (except under highly exceptional circumstances) to regulate wages according to the cost of living. Stated briefly, wages are themselves the main element in costs, and it is impossible to make one factor vary with another which is itself a function of the first. Under ordinary circumstances, that is to say, assuming that competitive prices prevail and there are no currency disturbances, a rise in wages would simply mean in the long run a corresponding rise in prices. I am, of course, aware that circumstances even before the war were rarely, if ever, "ordinary." I wish, however, in this

article to restrict myself to the consideration of the problem as it presents itself to-day. Since we shall be largely concerned with foreign competition (which has been quoted in justification of recent reductions in wages) it is necessary to interpose a brief statement of the theory of foreign exchanges.

Currency and Exchanges

When two countries, say England and France, employ paper currencies, such currencies will be used in payment of debts between the two countries. The English exporter expects that the final result of his trade will be an increase in the amount standing to his credit at his bank; that is, he expects payment in English pounds or in something which can be converted into pounds. The French customer also has a banking account, but the amount standing to his credit is expressed in francs. The one or the other has to convert francs into pounds, and it is therefore necessary to discover the relationship between the two currencies.

This relationship may be expressed in simple language. A franc has a certain purchasing power in France and a pound has a certain purchasing power in this country, and each of these is known. Suppose a pound can buy a certain quantity of commodities in this country and 50 francs can buy the same quantity of similar commodities in France; it follows that under ordinary circumstances the rate of exchange will fluctuate around 50 francs to the pound. This represents the equilibrium position (excluding costs of transport and tariffs) and is now known as "Purchasing Power parity." It represents the domestic value of each currency in terms of the other. The *proviso* "under ordinary circumstances" is important. The statement thus guarded assumes that neither of the two countries is under obligation to make foreign payments

which are clearly beyond its capacity at the moment. If either were pressed to make such payment it could only do so by borrowing from foreigners in the form of a long-dated loan or by handing over some form of promissory note, the most convenient being its paper currency. The export of, say, francs in large quantities (specially printed for the purpose) would send the price of francs far lower than fifty to the pound: it might reach seventy. If the amounts involved were still larger and the prospect of repayment, or the probable date of repayment, became more remote, the external value might even fall to one hundred to the pound. In such a case it would show an external depreciation (that is, a depreciation as compared with the domestic value) of 50 per cent. And such depreciation would constitute an indirect bounty to the export trade of France. Those who have followed the history of the German Mark since 1919 know that until recently it has shown a fairly consistent external depreciation of about 50 per cent. We are not concerned, however, with that side of the subject (though our conclusions are equally applicable). We shall assume that the countries are working under normal conditions and are able to convert their war debts into long term obligations.

Purchasing Power : The Determining Factor

The purchasing power of the pound in this country (that is, its domestic value) is determined by the amount of currency in circulation. If the amount is reduced by one-half its value or purchasing power will ultimately be approximately doubled; if the amount is doubled its value will be reduced by one-half, that is, prices in general will be twice as high as before. What is true of the pound is also true of the franc. If our currency remains constant and the French currency

is doubled, a hundred francs will be required to purchase what could be paid for with fifty francs before the change, and can still, in this country, be purchased for a pound. It follows that the new parity of exchange will be represented by one hundred francs to the pound. It will thus be observed that the purchasing power parity, though in one sense stable, is in another sense unstable. It is stable in the sense that so long as the currencies of the two countries are not tampered with any deviation from this parity due to an excess of exports over imports, or *vice versa*, will be temporary. It represents a favourable or unfavourable exchange in the pre-war sense of the term. The purchasing power parity is an unstable parity in the sense that any inflation or deflation of one currency relatively to the other will cause it to change, and the new rate will remain the parity so long as the new currency conditions continue unchanged.

The Dollar Exchange

All that has been said about purchasing power parity is true when the currencies are on a gold basis, as was the case before the war, and when one is on a gold basis and the other is on a paper basis, as is the case to-day in respect of America and ourselves. The rate of exchange with America has varied considerably during the past four years, for the most part in our favour. Under ordinary circumstances the pound would be exchanged for that number of dollars which in America can buy the same amount as the pound buys in this country. If the currency of this country were inflated or deflated, the pound would exchange for less or more dollars; the purchasing power parity would follow the changes in our currency. The same would be true if our currency remained constant and the American currency were varied

in amount. The fact that the dollar is on a gold basis does not of itself affect the situation. Between 1914 and 1920 our currency was enormously expanded, and if the conditions in America had remained unchanged the purchasing power parity would have been represented by not more than two dollars to the pound. But in actual practice it never even reached three dollars to the pound, and the lowest point after the Armistice was that reached after the exchanges were decontrolled. But a rapid improvement took place. As the competition of America is the one we fear most it is worth emphasising two important points relating to the dollar exchange. The first is that the exchange was never so heavily against us as might have been expected as the result of the expansion of currency which took place in this country. A similar expansion occurred in the United States of America. That country became the repository of much of the gold of Europe, and the influx of gold led to an enormous expansion of bank credits; consequently the domestic value of the dollar fell, though not to the same extent as the domestic value of the pound. The second point is that except for a few weeks following the unpegging of the exchanges in 1919 the actual rate of exchange with America has been the purchasing power parity rate. It is true that there have always been seasonal fluctuations; but these were always of the same character as the pre-war fluctuations, and at some seasons of the year were in our favour. This statement, which appears startling, is capable of statistical verification which cannot here be given. Apart from the short period already indicated the pound has not been at a heavy discount in the sense that the dollar value has been much lower than the domestic value. Consequently our exporters have not enjoyed any substantial bounty on exports

relatively to their American competitors. The big changes which have occurred in the dollar value of the pound have been changes in the purchasing power parity due to the relative changes in the amounts of currencies in the two countries. Thus, for example, the steady improvement in the dollar value of the pound since the Autumn has been due in the main to the fact that we have continued to deflate our currency, whereas the deflation of the dollar currency had already come to an end.

Wages and Deflation

We are now in a position to examine more closely the effects of wages reductions. Currency is used in payment of services rendered. If the amount paid per unit of service is reduced the total quantity of currency employed is likewise reduced. A universal reduction in wages represents currency deflation; conversely the main instrument of deflation is a reduction in wages. A universal reduction in wages, by deflating the currency, improves the value of that currency in terms of other currencies, that is to say, it affects the purchasing power parity. Consequently the pound commands more dollars. It follows that while a universal reduction in wages reduces costs in this country, it does not necessarily reduce English prices when expressed in terms of dollars. Suppose, for example, that all wages were reduced 50 per cent and all prices were equally reduced in this country, the value of the pound in terms of dollars would be doubled and the new English prices expressed in dollars would be the same as the old. It is for this reason that one casts doubt upon the value of wages reductions as a method of stimulating foreign trade. If they are of a general character and they are followed by a corresponding fall in English prices they merely represent deflation of currency,

and therefore ultimately defeat their own purpose. This sweeping statement is sufficiently near the truth to afford a safe guide of policy. But it calls for three comments—

(1) The effect of currency deflation secured by means of wages reductions is not *immediately* expressed in the rates of exchange. Apart from Exchange speculation it would only be produced when the export trade had been stimulated and the import trade checked to such an extent as to secure a highly favourable balance of trade in our favour. But the period has been considerably shortened by speculation, that is, by anticipation of the ultimate result. During the period required for the dollar to reach its new purchasing power parity the foreign currency is over-valued and the export trade is stimulated, but the effect of the stimulus soon wears off.

(2) If the reduction in wages is restricted to one trade or a small group of trades, the effect on the exchanges is comparatively slight, and the trades concerned feel the benefit. Their prices, expressed not only in pounds but also in dollars and other currencies, are reduced and they are able to compete more effectively with their foreign competitors. But as the area of reductions is extended the effect upon the exchanges becomes more and more marked. The gain to each trade is correspondingly reduced and ultimately disappears. It is undoubtedly for this reason that manufacturers in particular trades were able to point to improvements immediately following wage reductions, and were afterwards compelled to approach their workers a second and third time when their effects had worn off.

(3) In so far as the reductions in wages are not followed by corresponding reductions in general prices (which determine the parity of exchange) manufacturers engaged in the export trade are in receipt

of a veiled bounty upon their exports, the prices of which are now lower than they used to be relatively to the general level of prices. A similar phenomenon may be observed in Germany, where wages in general have not risen to anything like the same extent as general prices, and export manufacturers are therefore able to manufacture for export at a relatively low cost.

Subject to these modifications the general statement holds good. It may be restated as follows—

The gain to be achieved in the export trades is likely to be small and of short duration. Against it there are to be set certain (and considerable) losses in the home trade. Deflation of currency, that is, a downward movement of prices, serves as a severe check upon capital development. No one is likely to build a house or a factory now if he knows that by waiting a year he will save a considerable sum. If he builds now he will have to write off a part of the expenditure as dead loss. As the result of the war and the peculiar twist given to trade during the boom following the Armistice there was considerable leeway to be made up in respect of capital development in this country. If we had stabilised our currency, such stabilisation would have provided the strongest of inducements to capital development and have reduced the severity of the depression. Instead of spending less than the normal amount on capital development, such as extending railways and tramways, we would have spent more in the endeavour to make up for losses due to the war. Moreover, the repeated reductions of wages were naturally followed by retrenchment on the part of the wage earners. Not that their position was necessarily worse in the long run than it would have been at the higher rate of wages; but it was clearly worse during the period necessary for the cost of living

to be adjusted to the new wages level. The reluctance of wholesale and retail dealers to cut their losses in respect of existing stocks and to adjust their own conception of money profits to the new and lower standards of currency and wages made and still makes that period of adjustment longer than it need or should be.

Alternatives

If the above conclusions are true why should manufacturers have pursued a policy injurious to the interests of the community? The reply is that they were themselves victims of circumstance: they were, and remain, in the grip of forces over which they have no control. In the first place employers' associations worked in isolation. They negotiated with the Trade Unions without reference to the rest of the community. The representatives of each industry saw the direct and immediate benefit to be gained by a reduction in wages restricted to their own workpeople, and did not appear to realise the fact that such benefit would only be secured if or to the extent that such reductions did not spread to other trades. Any alternative policy on their part would have involved collective or national action. It is true that the Federation of British Industries realised the need for stabilising currency, but there appeared to be no corresponding association dealing with Labour questions to make clear the fact that stabilisation of currency involved stabilisation of wages, and to suggest a policy along these lines. If the National Industrial Council proposed by the National Conference of 1919 had functioned it would clearly have been the body to put forward such an alternative to the wages policy actually pursued.

In the second place, the alternative would not have been acceptable. Stabilisation is theoretically possible at any

figure. Most people would agree that the rates prevailing at the top of the cycle in 1920 should not have been made permanent. They would have necessitated many and difficult adjustments in relative wages. Moreover, they would have involved far too serious injury to people living on fixed incomes and meant a severe penalty on pre-war savings invested in secured stocks. Stabilisation could only have been effected at rates considerably below the inflated rates of the "boom" period. Such lower rates would have involved no greater hardship to the people concerned than the higher rates for the simple reason that the cost of living would ultimately have been adjusted to the permanent wages level. But if the rates for stabilisation had involved (as inevitably they would have done) considerable reductions for large groups of strongly organised workers (particularly those whose rates were governed by hasty agreements linking such rates to the cost of living) the attempt at stabilisation might have roused considerable resentment and caused serious strikes. Such an alternative might therefore have appeared utterly impracticable, though it is doubtful whether the guarantee of a stabilised wage for a long period would have caused so much disturbance as we believed to be inevitable. The most serious difficulty, however, was to know precisely at what level wages should be stabilised. The industrial section of the community had been left in the lurch by the Treasury, which had not attempted to fulfil the obligation it had incurred in 1914. The Treasury is the "villain of the piece."

Treasury Responsibility

Before the war our currency consisted of two parts, legal tender and credit. Apart from a restricted amount in Bank of England notes and the silver and copper coins required for small change,

the legal tender currency consisted of gold. The amount of credit currency which the banks could create was limited by the supply of gold available as reserve. The total supply of gold in the country was mainly determined by natural conditions and varied little from year to year. Thus, under ordinary circumstances, our currency system was beyond the administrative control of the Treasury. It was regulated by the Bank Act of 1844. Legal tender formed the rigid part and credit the elastic part; but, though it could accommodate itself to the needs of industry during a boom in trade, even credit possessed no great degree of elasticity. At the outbreak of war the gold standard became a legal fiction; in practice it was abandoned. Gold was called in and a new legal tender currency—the Treasury note—was issued in its place.

The transition from gold to paper was of profound significance, for the supply of legal tender currency, instead of being independent of Government policy, was and remains capable of being indefinitely increased, and at will. It is true that for the last three years the maximum issue of Treasury notes has been restricted by a Treasury Minute, which limits the maximum issue of notes possible in any year to the actual maximum issued during the previous year. But the period of administrative control has coincided with the depression in trade; consequently such control has not been subjected to any strain. When, between 1914 and 1920, inflation offered temporary relief the policy of inflation was pursued. Legal tender currency, in the form of Treasury notes, was issued in large quantities, and was partly employed in maintaining relatively high reserves at the banks which, in turn, extended credits with great freedom. Thus the total currency of the community was vastly increased, and such increase intensified the rise in prices.

Wanted a Lead for Industry

By abandoning the gold standard the Treasury incurred an obligation which did not exist before the war. It became—and remains—responsible for the amount of legal tender currency (and therefore credit) available to the community. I do not suggest that the abandonment of gold in 1914 was not inevitable—undoubtedly it was. What, however, I *do* suggest is that the Treasury ignores the consequent responsibility which rests upon its shoulders. It is now able to expand or contract the currency almost at will, and it is the only agency which is in that position. Naturally it should favour ultimate stability of currency. The Treasury Minute enforces continuous deflation during the period of depression; when trade revives and the need increases it will certainly prevent any expansion of legal tender currency beyond the amount actually issued in the worst year of depression. And from this currency and price level there will be a further period of deflation when trade again becomes depressed. Is that the deliberate policy of the Treasury? If not, does it aim at a volume of currency which will secure a cost-of-living index number showing a given percentage (say, 100 per cent) above the 1914 cost? It is precisely this information which industrialists require in negotiating wages settlements. Without it they will be like a ship without a rudder. If the Treasury had stated, say, in 1920 (or at any previous date), that it meant to curtail currency to such an extent as to reach that point, and to stabilise there, the Employers' Associations could—and should—have made an offer to the Trades Unions of a wage agreement of fairly long duration standardising rates, for a period, at a level, say, 100 per cent above the pre-war rates. The cost of living would have rapidly adjusted itself to the new conditions, and much suffering would have been avoided.

Will there be Further Inflation?

Engineering employers, when pressing for the latest reductions, are reported to have promised an advance when trade revives. If their promise is observed and their lead is followed in other trades we shall merely witness a repetition of the post-war inflation, to be followed in turn by similar consequences. It is not likely that in general the workers will be any better off. They may even be worse off; for experience in Germany and elsewhere, as well as in this country, shows that a period of rapid inflation of currency is not one during which advances in wages enable the workers as a body to improve their real position. As has already been stated, such advances produce a rise in prices, and in some cases a rise more than proportionate to the general increase in money wages. The people who really gain are speculative dealers and those employed in the distributive trades. But the promise of the engineers can only be fulfilled if the Treasury, by implication if not otherwise, gives its consent to the procedure. Such consent was implied in its attitude after the Armistice. The repeated advances to workpeople were necessarily accompanied by inflation of credit and legal tender currency. Credit could not have been expanded if the reserves of the banks had not been strengthened, indirectly, by the repeated issue of fresh supplies of legal tender; and these would not have been forthcoming without the consent of the Treasury. Thus it may be said that it was the financial policy of the Treasury which made possible the post-war advances in wages.

Future Policy

What, then, should be the industrial policy of the future? I suggest that the representatives of industry should press for a public declaration of the financial

policy of the Government. The Treasury should be invited to state whether the minute restricting the issue of notes is intended to be binding in the future, and, if not, what amount of legal tender currency will be issued as a maximum. If the Treasury adheres to the terms of the Minute we shall know where we stand. We shall know, for example, that though wages may perhaps be stabilised at the level indicated by the present wages of engineers, they cannot be advanced much beyond that level. Rash promises in the present will be beyond fulfilment, and if made, will create expectations and disappointment and unrest later. One of the essential conditions of industrial peace is a stable currency. Before the war such stability was provided by linking up the currency with gold. I see no prospect of an adequate alternative to the precious metal, and therefore suggest that the Treasury should be pressed to restore a free market for gold at the earliest possible moment. We cannot, of course, expect to return immediately to the pre-war system under which gold circulated freely in the form of coin. Nor is it necessary to do so in order to anchor our currency once more to gold. It would be sufficient to employ Treasury notes as the medium of exchange and maintain an adequate gold reserve; and make it difficult, if not impossible, to issue notes to an amount beyond a certain multiple of such reserve. Such a system, which is known as the "Gold Exchange" system, would restore freedom to export or import gold in response to trade requirements. The statistics relating to prices and other factors relevant to the subject suggest that it would be possible to establish such a system immediately. It is not, as is commonly supposed, necessary to wait until the pound has reached its pre-war value in dollars.

Management Control and the Accounting Function

By THOMAS HAWORTH, A.S.A.A., F.C.W.A., F.S.S.
Works Accountant, Lever Bros., Ltd.

Accountancy as an aid to personal control is invaluable, but many businesses fail to appreciate the fact. This article shows how the accounting function can be used to secure predetermined standards of results and maintain control, and emphasises "the futility of ordinary post-mortem costing."

WE have all heard and read so much within the past few years of what is being done in the way of costing, but very little has been written of the accounting function as a whole, and its place in the scheme of management control.

Modern views tend to discourage the use of the term costing, as being a diminutive expression in no sense connoting the true purpose of accounting. It has led to an assumption that the be-all and end-all is cost of production, whereas there are many other points within the purview of accounting proper. It has also led to the mistaken view that there are two aspects of accounting: on the one hand the so-called financial accounting, and on the other hand the so-called cost accounting, the subject of this brief review.

The state of affairs in many factories is not as it should be when this view-point is taken. There is only one accounting and that is all-embracing, though thanks largely to the apathy of many professional accountants, the artificial distinction continues to be a subject of academic discussion, when it is not entirely conceded.

Importance of Control

Successful management is largely a matter of successful control. Control properly exercised will go a long way to make up for an inadequate organisation, but no organisation, however perfect on

paper, will carry on successfully without control.

Control may be of two kinds: In the small plant an elaborate organisation may be unnecessary or indeed harmful, for direct visual control can be obtained much more easily and at very little cost. When, however, the plant reaches a stage little more developed than that of a one-man enterprise, some organisation is necessary, and control becomes a matter for records, so as to obtain a pictorial representation of those facts which have now become impossible of direct vision.

A most useful analogy is that of the kinema film. Actually what happens is that photographs are taken of the significant facts, later to be brought together, edited and summarised, so as to be run through the lantern at the end of the week, or at other intervals, in the form of a complete film, or review of operations. Some of these facts consist of measurements in sterling, while others may be in natural or artificial units, but they are all a proper subject for an accounting record.

This, however, is not the whole story, for control is not possible until we can compare and contrast these summarised measurements and records with our expectations. Comparison, in fact, is the yard-stick for measuring progress. We may have general opinions on broad lines, and our judgments go accordingly,

but very often our comparisons are subject to mental qualifications, simply for the lack of knowing absolutely what we ought to expect.

Here then is the whole point of these remarks. Accounting can only proceed intelligently, so long as there is a predetermination of the significant facts to be measured and recorded and of the standards with which such facts are to be compared. Management to-day, in fact, largely consists firstly in knowing what are the reasonable expectations, and secondly, in seeing in how far, and at what points such expectations are not realised.

The Personal Factor in Control

One aspect that is often overlooked is that all control is of a personal order. We have got to determine the results we expect from each executive officer, and pay a little less attention to the inert aspects of plant or process. The act must precede the record, and the determination of what is reasonable and to be set up as a standard is not necessarily dependent upon, nor need it await the results disclosed by current records. Every executive should know that he is expected to attain a certain standard of efficiency, stated in very definite terms. It should not be unreasonably high, but it should at least require a pull to make it.

Function of the Accounting Officer

It is the business of the executive or its technical staff officers to determine the standards, and of the accounting officer subsequently to arrange for and to have made all the records of facts necessary to enable the management to know how its trust and delegated authority is being carried out. Measurements may relate to

technical efficiency (the use and conservation of materials) or to operating efficiency (the use of man-power and plant) and they may be, as already stated, in natural units or artificial units, but in so far as they consist of performance records for which standards have been, or could have been fixed, then they are a matter for the accounting officer.

Finally, by way of demonstrating what predetermination means in the way of control, and as showing somewhat the futility of the ordinary post-mortem costing for this purpose, take, say, a printing office, the output of which is difficult to measure owing to varied production. There are two significant comparisons for each section or department by which it is possible to tell as exactly as matters, week by week in a very short time, and by a very easy process, how the plant is operating. Firstly, a comparison of output expressed in time units determined against time units occupied, and secondly, a comparison of time units occupied against full complement of time units available. Job costs are unnecessary, and in most cases only a limited classification by types of product is required. Technical control is equally simple and equally effective.

The purpose of all these remarks is to be found in this: That more work should be put in at the beginning, in the planning and ordering, so that less work may be required at the end. What does it avail one to know what happened months ago, except as a matter of history—it surely does not help control. Many executives are failing to-day to make use of the accounting machine simply because the accounting officer is trying to make good at the wrong end. There is surely room for propaganda on both sides.

How Intensive Salesmanship Beat the Slump

By A. S. ANDREWS

The Multigraph Sales Organisation

British manufacturers and merchants are, on the authority of Mr. Samson Clark, giving much closer attention to the selling side of their businesses. Some of the remarkable results which can be achieved when the highest selling efficiency is obtained are described below.

IT is the astonishing record of the International Multigraph Co. (Britain), Ltd., that during the past three years, despite the unprecedented depression in trade generally, its sales actually exceeded those of any previous six years. This is a sufficiently rare and extraordinary achievement in the history of any well-established concern to excite legitimate curiosity.

Such remarkable progress is not purely accidental; obviously there must be reasons to account for it. During the blackest period of the slump, when for many firms the bottom appeared to have dropped out of business altogether, so devastating were its effects on orders, the sales of the Gammeter Multigraph remained surprisingly consistent. At the first sign of general trade recovery the flow of orders immediately responded, and at the end of two recent consecutive months every machine available had been disposed of.

Where, then, lies the secret of this unusual resistance to the generally unfavourable trade conditions of the period? It is to be found, in the writer's opinion, in the unique system of intensive salesmanship which is being practised by Multigraph salesmen, with the whole-hearted co-operation of the headquarters staff, under the active inspiration and direction of the director and general manager, Mr. W. H. Hartley.

The "Boom" in Direct Advertising

Immediate trade conditions apart, it is undeniable that circumstances are favourable to the success of such a proposition as the Multigraph. Mr. Hartley has caught his tide at the flood. Direct advertising has become a very serious rival of every other form of publicity, and of newspaper advertising in particular. It has developed phenomenally since the war. Advertising space in the newspapers is maintained at a price which is prohibitively high, and indeed perilously near where it becomes actually unprofitable, even to very experienced advertisers. There is open dissatisfaction among them, and big buyers of space are turning their attention more and more to the attractive possibilities of the direct appeal to customers.

Mail order trading, on experiment, has proved a paying proposition in many directions hitherto unsuitable to it, and the rapid increase in the number of firms specialising in the production of facsimile typewriting is itself full of significance. In such circumstances the Gammeter Multigraph, which it is unnecessary to describe in a business magazine, comes into its own.

Mr. Hartley is very ready to explain his system. Its keynote is Confidence. "There are no secrets in our business," he told the writer, in his easy, agreeable style. He is a Canadian, but there are

none of the aggressive mannerisms of the conventional sales organiser from over the water about him; on the contrary, a marked suggestion of poise and self-command.

"We lay our cards on the table and we invite our salesmen to take a hand," he continued. "If you do not tell men what is going on they get disgruntled. Salesmen think all the time, and unless their thinking is helpful and constructive it is no good to the business. I am afraid many of our methods are rather informal, but we find they yield good results."

Getting the Salesman's Confidence

And then he went on to describe the Multigraph methods in detail, with growing vivacity and animation. New salesmen are carefully trained at the head office in Holborn Viaduct before being allotted a definite territory. They are given an insight into the work of all the various departments of the business. They are initiated into the mysteries of "pyramiding"—an ingenious type of sales campaign by letter invented by Mr. Hartley, which has proved enormously successful in selling Multigraphs. They are taught "to speak the Multigraph language." Every effort is made to make them feel at home. They are "lunched" by the director and by the sales manager, and the whole atmosphere of the head office is one of friendly interest in their work.

Continuous Training in Salesmanship

His preliminary training complete, the new-comer then sets out to win his spurs in actual selling, at first under the tutelage of one of the more experienced salesmen. But he quickly realises that his training is only begun. The whole secret of Multigraph selling efficiency is that the training of salesmen is *continuous*.

Many men work at little more than half

capacity, not because they are lazy or merely indifferent, but because their faculties and aptitudes are not continually stimulated and their interest constantly revived by means of progressive training. The men who handle the Multigraph have found this out and they act accordingly.

This continuous training in salesmanship takes many forms, but they are most of them frankly based on a subtle appeal to the competitive spirit brought into being by the instinct for self-expression. All salesmen are paid on commission—in other words, on results. A healthy spirit of rivalry is encouraged among them. Sales contests for a variety of prizes are a feature, and a scoring board, prominently placed in the sales room at the head office, indicates the points gained by individual salesmen as each order is received (see illustration on p. 184). These sales contests are found to be a splendid incentive. Each salesman is set a monthly quota, based on his previous performances and the estimated possibilities of the district he covers, and marks are awarded according to the orders obtained. The progress of every competitor is plainly visible to all, and as the contests approach the decisive stage there is tremendous enthusiasm. No more practical illustration of the success with which the game spirit can be adapted to business could be imagined. This competitive principle permeates the whole organisation and explains much of its success.

The Sales Conference

Very great importance is also attached in the Multigraph selling scheme to the sales conference, and this is undoubtedly the most valuable of all the various methods they adopt of training salesmen. Every week the salesmen in the London area meet together at the head office to exchange experiences, to give details of enterprising developments in the use of the Multigraph which have come under

their notice, and to discuss the possibilities of new business.

The writer was privileged to attend one of these weekly meetings recently, held under Mr. Hartley's chairmanship, and he found it a most interesting experience. Rather more than twenty salesmen were assembled in the sales room when he arrived, and one after another they rose and briefly reported the progress of the week in their territories. Several of them were able to furnish striking instances of sales development which had been rendered possible with the aid of the Multigraph. New ideas were eagerly noted, special points being skilfully elicited by the chairman, who emphasised their value for propaganda purposes. The greatest keenness was manifest. The educational value of such meetings is incontestable, and it

would be hard to conceive a finer spur to flagging enthusiasm. Similar meetings are held in the provinces at the district offices, and a convention attended by all the London and provincial salesmen is held once a year.

"The Ginger Jar"

Many of the best ideas ventilated at the sales conferences are given permanent

record in the company's house organ, a fortnightly publication appropriately termed *The Ginger Jar*. This is edited by the Sales Promotion Department and produced in two colours entirely on the Multigraph for confidential distribution among the whole selling force. Mr.

Hartley has his own ideas on the subject of house organs. Many of them he believes to be altogether too elaborate and costly to serve their purpose and justify their production. *The Ginger Jar* is bright and newsy and brimful of optimism. The two main planks of the Multigraph appeal are economy in printing costs and efficiency and adaptability as an instrument for sales promotion. No opportunity is lost in this unambitious but very effective publication of *convincing the salesmen* of the



Photo

Parkers

MR. W. H. HARTLEY

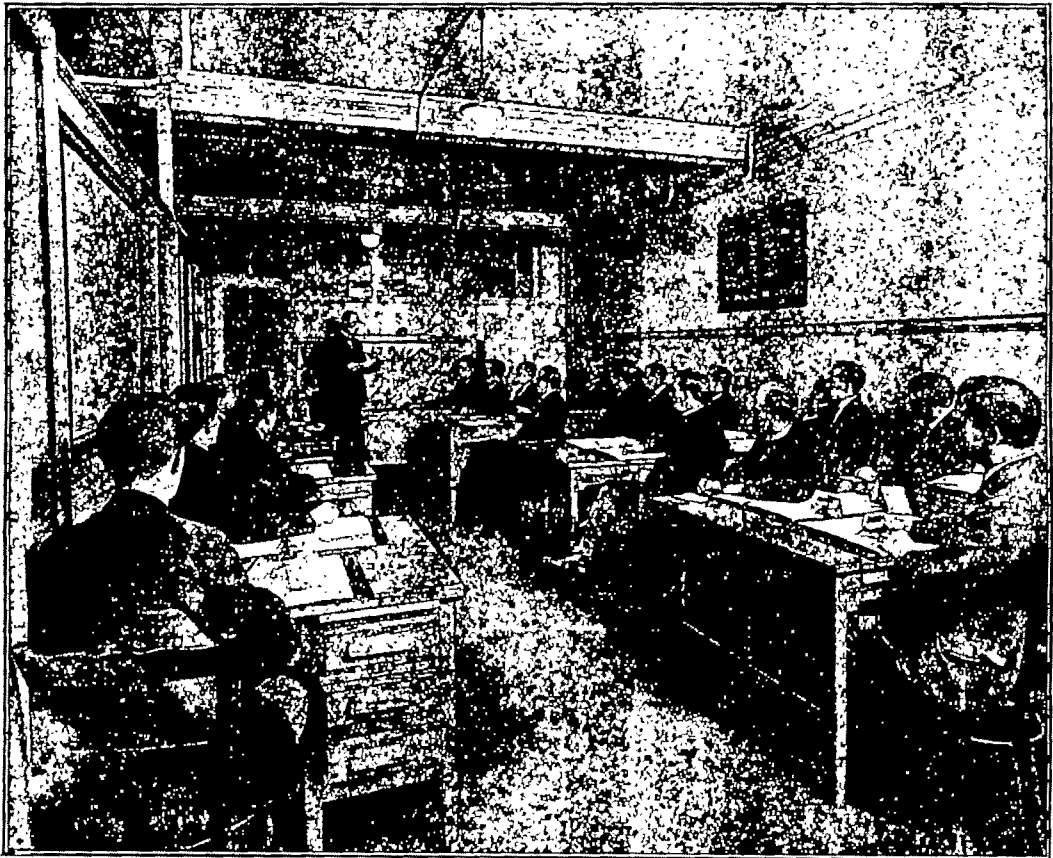
validity of its claims by means of the reproduction of comparative costs and of "good stories" of successful selling by users of the machine. The salesmen can be relied upon to *convince the customer*.

Service to Users

Another vital principle of the sales system is the emphasis placed upon the point of service to users. The company

keeps constantly in touch with its customers, both new and old. In fact, the completion of a sale is merely the beginning of an association which it is sought to make mutually profitable. Demonstrators call regularly upon users to assure themselves that the best results are being

which the head office is organised to support the efforts of the salesmen. The walls of the demonstration room are covered with characteristic examples of the work of the Multigraph in great variety. Here customers are given a practical demonstration of the possibilities of the machine



A TYPICAL WEEKLY SALES MEETING

obtained, to draw their attention to new ideas in selling, and to the most effective methods of securing the special service required by the customer from the machine. Valuable information is both imparted and obtained in these periodical calls.

Head Office Organisation

This account would be incomplete without a reference to the manner in

for their own particular work, and this frequently clinches a sale. The perfect work performed by a blind operator subtly suggests its simplicity in operation. Capacity for coping with any required volume of work is demonstrated in the sales promotion department, where there are several operators continuously engaged in the company's own circulation campaigns and stacks of letters being made ready for dispatch. In another department

comparative costs for both printing and multigraphing any particular job can be swiftly prepared. There is abundant evidence in these and many other ways of hard thinking and careful planning directed to the final purpose of convincing the potential buyer, however reluctant he may be to part with his money, that this is a machine he cannot possibly do without.

Much more could be said, but this will

suffice to indicate some of the causes of the company's remarkable sales record. Apart altogether from the merits of the product, it reveals the art of selling based on a definite policy and developed to a very high degree of efficiency. If it evokes comparisons in the minds of sales managers and useful ideas for the improvement of their own selling arrangements it will have served its purpose.



A Summer-Time Five-Day Week

THE well-known firm of boot and shoe manufacturers, Messrs. P. Haldinstein & Sons, are working a five-day week as a summer-time experiment, closing down the factory from Friday night to Monday morning. Extra hours are being worked on the other days of the week, namely from 7.30 to 12.30 and from 1.45 to 6.15, with an additional half-hour on Friday. The experiment is being conducted on the personal initiative of the managing director, Mr. George Haldinstein, but the workers are

giving it cordial support, and under the new conditions the percentage of lost time has been greatly reduced. If it continues to prove successful the new arrangement will probably be made permanent.

The five-day week is, of course, a successful institution with many London firms. In order to deal with the post, some find it desirable to arrange for the attendance on Saturday mornings of members of the administrative staff, who undertake this duty in rotation once a month.



Incorporated Accountants

Sir James Martin on Competition and Advertising

AT the thirty-eighth annual meeting of the Society of Incorporated Accountants and Auditors, held last month, the president (Sir James Martin) presiding, it was reported that during the past year 299 new members were added to the Society's roll, while 70 associates were admitted to fellowship. The total membership at the end of the year was 3,597, a net increase of 237. The income for the year amounted to £12,683, exceeding the expenditure by £1,146, bringing up the total surplus on revenue account to £15,574 14s.

Sir James Martin's remarks concerning the Institute of Cost Accountants' application for a Royal Charter are referred to in Notes and News.

He again called attention to the activities

of income tax agencies, and associations, advertising accountants, and others—a matter he brought before the Society in October last. There had been little, if any, improvement to report, and he regretted to say that some of the banks were extending their activities in connection with income tax work. He recognised that this was a serious matter, especially for their younger practitioners. The Council could be relied upon to take every legitimate step to protect the proper professional interests of their members; at the same time, it could not allow any of them to join the crowd of advertisers and participate in a course of conduct which was contrary to the ethics of a self-respecting profession.

Auditors and Their Methods

By GEORGE M. COTTON, C.A.

Some shrewd advice to accountants and their clerks is given in this delightful essay on the relations between the auditor and his clients. The important distinction drawn between checking the book-keeping and auditing the accountancy should not be overlooked.

IT is probably true that the individual whose books are regularly audited by a professional auditor seldom, if ever, has the opportunity of comparing auditing methods and, if need be, of criticising or complaining with regard thereto. It is, as a rule, only when a change of auditor takes place that differences in practice as between two or more professionals will become apparent, and the starting-point for the remarks of the audited, depreciatory or appreciative, as the case may be, will be provided.

Trials of the Audited

But it is good discipline for the professional once in a while to imagine the positions to be reversed, and himself to be subject to the rule of an inquisitorial outsider. And one may then experience a certain sympathy with the feelings of the careful accountant whose books are defaced with the crudely inked squares and ovals representing the autocratic *imprimatur* of the auditor. A man may take care and pride in his book-keeping as well as in the accountancy it presents, and he may regard with the satisfaction of an artist the fair face of his books and papers. But it may well be with a sigh that he relinquishes them to the assistants of the auditor, whose visitations must be endured without protest on his part. And when his creations are returned to him he may equally well weep secret tears over the always ugly and often monstrous hall-marks which have been rudely impressed upon them by young and enthusiastic wielders of the "audit stamp."

The variety, both in character and relative positions, which one finds in audit "ticks" must also be something of a trial to the audited. Often these are done in ink, and frequently they are insufficiently blotted off. A sweep of the sleeve or a too precipitate turning of the page leaves a flaming banner of scarlet or a slash of green across the face of the book, and will, if repetition ensues, turn the mind of the sensitive book-keeper to the idea of ink-bottle detonators.

When Suspicions are Aroused

One aspect of audit-stamping is peculiarly objectionable. It occurs in the case of the audit of a solicitor's or accountant's books, and relates to the treatment meted out by the auditor to cash vouchers, etc., which really are the property of the clients of the audited, but are temporarily produced to support his own cash records. Such vouchers are swept under the audit stamp along with the more relevant documents, such as receipts for office expenses, salaries, etc., and receive the routine impression indicating that they have been produced and cancelled. But in due course these same vouchers may be turned over to other auditors whose duty it is to examine the accounts of the particular client of the audited. What must be their feelings when faced with, say, the counterfoil of an ordinary dividend warrant or a receipt for interest paid, which already bears the stamp or sign or initials of a brother professional? The suspicious mind of the auditor will propound the query:

"Have these been produced in another connection and for another purpose, and are they now slipped across to me second-hand?" This particular practice would seem to call for some ruling by governing bodies of accountant societies in order that even the appearance of evil may be avoided.

The Vital Distinction

While it is beyond question that some auditors make a mess of books and papers submitted to them, either themselves or by the hands of their assistants, it remains also true that the profession as a whole is properly careful in its physical treatment of each *corpus vile* placed in their hands. It is the accountancy that matters, and it is the accountancy that is the true subject of operative treatment and not the book-keeping—a distinction which some of the rising generation of the profession find difficulty in appreciating. It is the meaning of the figured page that is the important affair, and not its value as penmanship or its charm as writing material, and many of us would rather conduct an audit without making a single mark if we could but be assured by some invisible means that we were not doing the same thing twice over—or oftener.

The "Please Explain" Nuisance

In the matter of calling in the course of the audit for explanations of, and documentary support for entries coming under notice, it is beyond contradiction that many auditors and their staff are sources of extreme irritation and, indeed, of real interference and delay to the officials and others whose transactions they are investigating. Frequent demands for the attendance of chiefs of departments in order to disentangle some knot, that is at the first attempt incapable of unravelling by the auditor himself, are not conducive to the maintenance of

amicable relations between auditor and audited.

It does not derogate from the dignity of the auditor (and in this article the expression is intended always to include his assistants) to spend a little time and brain-power in looking at accountancy problems from the accountant's end, and not simply to regard them as opportunities for cross-examination. An earnest endeavour to visualise the operation or transaction which the particular entry is intended to record will generally obviate the need for confessing failure to understand.

It is not only a simple matter, but a highly commendable practice, to store up all audit notes and queries as one goes along. Often more than half of these will disappear before the audit is completed, as the perspective lengthens with the progress of the checking, and it is far more satisfactory at the conclusion to engage departmental people definitely for half-an-hour's hard discussion than to be pestering them continuously.

On the Track of Discrepancies

Many auditors worry over trivialities, and many others do not worry enough. But the question of what is trivial is largely a matter of opinion. When there is a general disposition to trust the people who are in charge, an incomplete voucher or a novel transfer entry, from a store or stock account to an expense account, may not call for more than a passing comment. If, however, there is that vague feeling of unsatisfactoriness which every auditor knows well, nothing should stop him from following up. Nothing, in such circumstances, is trivial, and the smallest visible slip in the book-keeping may well mean large invisible losses and discrepancies. Just as in the life of crime, it is said that the criminal, however distinguished, almost inevitably forgets some matter of apparently unimportant

detail and so provides the clue for the detectives, so in the life of accountancy. Given a suspicion and a petty misdescription in an entry or an unusual form of transfer, the situation is ripe for the auditor to get on the trail.

Audit the Accountancy

But it is still true that the person skilled in accounts is able to deceive the auditor, and as I have already in this magazine been granted an opportunity of referring to what I consider is the main reason for such deception, I may not do more than merely mention it again. It is the custom of entrusting skilled work to

comparatively unskilled and inexperienced assistants. A programme of checking the book-keeping is quite in order and may with propriety be left to assistants. What should follow *in every case, however small and apparently insignificant*, is a programme of auditing the accountancy. The latter can only be done by skilled people. If this principle were to be acted upon consistently one would see less of the type of advertisement of vacancies in professional offices, requiring assistants able to complete audits up to the balance sheet "without supervision," and no more exposures in the courts of deficient audit practice.

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Photo

James's Press Agency

MR. JOHN LAWRIE

Managing Director of Messrs. Whiteley, Ltd., who last month entertained at Brighton members of the Incorporated Association of Retail Distributors.



Photo

Elliott & Fry

MR. PERCY A. BEST

A Director of Selfridge & Co., Ltd., who has been elected Chairman of the Incorporated Association of Retail Distributors for the coming year.

The Human Element in Office Management

By R. H. FERGUSON, Auditor

A SHORTCOMING so frequently noticeable in modern business houses is the lack of sympathy between individuals. Almost every business is divided into a clerical side and a selling side, both sides striving for the success of the firm yet the spirit of self seems to predominate, and to anyone who studies the situation there is at once apparent a lack of unity—a want of *esprit de corps*.

It devolves then upon the manager to establish this *esprit de corps* and to give it hearty encouragement. To get this loyalty the wise manager will say to himself: "Were I in the position of the staff, receiving the same treatment, would I put my back into the work?"

No matter how thoroughly and painstakingly a business may be built up, unless its supervision and the supervision of its branches are in the hands of capable managers, discontent and listless work will inevitably undermine the structure. Even a thorough business training will not save the unsympathetic manager. The human element must be considered. "One touch of nature makes the whole world kin." To achieve this he has only to imagine himself in the position of his subordinate and look at things for a moment from the latter's point of view.

Certain definite guide-posts can give him a line to go on.

It is no use for a manager to notice only bad work, good work must be noticed and encouraged too. A word of praise does not cost much and often means a very great deal to the recipient. Besides, to notice only bad work is apt to discourage

an employee and make him think that the manager would not recognise good work if he saw it.

If there is any blame to be borne by a department or an office, the manager who accepts his full share will always earn the respect of those under him; and after all, blame is more often than not due to bad management—a policy of drift.

Keep Your Temper

Good temper is always an asset. A cheerful and patient chief is sure to be worked for with a will. A certain famous London restaurant has given prominence to the fact that "Your temper is your own. Don't lose it." The manager who is for ever finding fault and losing his temper will soon get the reputation of being weak and so will only earn contempt.

Enthusiasm, too, often works wonders in an office. It stimulates tired minds and makes the work far more interesting to everybody concerned.

It is a fatal mistake to have favourites and scapegoats. All the staff should be treated alike and the confidence of all thus cultivated. If a dispute arises each side should be heard. The matter should be most carefully sifted. The note of authority sounds ever so much more effective when played with the soft pedal. If the manager makes a promise let him keep it. His word should be his bond, so that he can always retain the respect of his staff. Their individuality should be studied carefully. One of their chief failings will be inability to accept responsibility. The hardest worker will often fail completely when

responsibility is put on his shoulders. Therefore men should be allowed to unravel problems for themselves, submitting answers to queries, affecting their duties, to the manager for his perusal.

Encourage the Game Spirit

The modern tendency appears to be to do everything by machinery, to look on the employee as a machine and not as a human being. It should not be difficult for a manager to remember that business was founded by merchant adventurers who took their business as a game and the men who helped to make it as their team. The spirit of play is what needs to be introduced. Ours is an island where sport has become perhaps a fetish, but surely it is one of the greatest assets of our nation that we have gained the reputation of "Playing the Game." And not only playing it but of also looking at it in its proper perspective.

It is not a bad question for the manager to ask himself sometimes, "Am I playing the game?"

Is the manager playing the game when a fresh employee is put into the office and just told to carry on? Something is expected from him but he for one has little or no idea what. This is the opportunity for the able manager. It is up to him to instil interest in his new recruit; to impart to him that *esprit de corps* which should permeate the whole organisation, so that the office may pull together as a team and not as several individuals.

Then there is the question to be considered of the amount of work to be got out of employees. It is no good setting the standard of work too high—"sweating"

only kills incentive. In the same way a low level will only show short-sighted study of conditions by the management. Therefore a definite standard of work must be set and the human element considered by the allowance of times for rest and recreation.

By going round the office at odd intervals the manager will not only keep his finger on the pulse of the work but he will acquire a personal knowledge of the capabilities of each employee.

He knows that to maintain a carefully planned system there is only one best way of carrying out the work, and by his visits he can soon see that the work is being so carried out.

The Need for an Incentive

Every employee should be made to feel that not only is the manager interested in him personally, and knows what he is doing, but that he will soon recognise good work from bad and will deal with it accordingly.

But interest and enthusiasm alone are not sufficient. It is only human nature for a man to require some incentive to work and, as a general rule, this is given him in his salary. But the average employee sells his time and not any definite amount of his work, so if extra effort is required it cannot, again generally speaking, be got by just referring to duty. The enthusiastic manager must therefore realise that the enthusiasm which he exudes is a paper—not a sterling—currency and to possess a real value must be backed by a reserve of coin. In other words enthusiasm to appeal to the bread-winner must be tempered with the very human hope of future financial reward.

Readers who have any difficulty in obtaining copies of "Business Organisation" through their Newsagents would greatly oblige by communicating with the Publishers.

The New Income Tax Rates and Deductions

By E. J. HAMMOND, A.C.I.S.

Author of "Questions and Answers on Secretarial Practice"

Income Tax is an ever-present burden. This comprehensive article summarises the adjustments necessary and consequent upon (1) the reduction of the standard rate to 4s. 6d. ; (2) the establishment of the Irish Free State as a self-governing dominion ; and (3) the provisions for relief from double taxation. It is topical and furnishes authoritative information on many technical points.

THE 1923 Budget introduced into Parliament on 16th April last is noteworthy in that the British income and other taxes imposed by Parliament now apply only to Great Britain and Northern Ireland ; and the Irish Free State—as a self-governing dominion—will levy its own taxes. The general position is that all taxation originally imposed by the British Houses of Parliament was transferred to the Irish Free State and, pending further legislation by the Irish Parliament, these taxes continue in force at the same rates. In introducing his Budget for the year 1923-24, the President of the Irish Free State announced that there would be no alteration during the current year and, therefore, the income tax for the Irish Free State remains at 5s. in the £.

British Income Tax

But as our readers are aware, the standard rate of British income tax for the current fiscal year commencing 6th April, 1923, was, by resolution of the House of Commons, fixed at 4s. 6d. in the £, and this resolution has immediate statutory effect under the Provisional Collection of Taxes Act, 1913. The position arises, however, that from 6th April to 16th April the rate of tax legally deductible was the higher rate of 5s., and persons who have suffered deduction at this rate are entitled to have the excess deduction refunded to them. Broadly speaking, income tax deductions

fall into two main classes and the method of adjustment or repayment depends upon the class of payment. These two classes are officially designated as—

Class I. Tax deducted directly on behalf of the Revenue from payments which are not made out of profits or gains brought into charge for income tax.

Class II. Tax deducted from payments made out of profits or gains brought into charge for income tax.

Class I Payments

This class of payment includes dividends and interest on British Government Securities (Consols, etc.) ; dividends and interest on foreign and colonial government securities, foreign or colonial companies, municipal corporations, etc. In each of these cases, the paying agent acts as "tax collector" on behalf of the income tax authorities, and the full amount deducted is handed to the Inland Revenue. There are three methods of adjustment of the excess deductions in this class, viz.—

1. Adjustment on a subsequent assessment directly charged on the recipient ;
2. Inclusion of the excess deduction in the next refund of tax due to the recipient ; and
3. A separate repayment from the Inland Revenue.

Arrangements may be made with the Inland Revenue for that method which is the most convenient. In the first instance, the taxpayer should apply to the local inspector of taxes for the appropriate form on which to present their claim. It must, of course, be substantiated by the dividend counterfoil,

the paying agent's certificate, or other evidence.

It must be noted, however, that payments made by municipal corporations from funds directly taxed by the Inland Revenue (e.g. revenue from tramway or electricity undertakings) cannot be dealt with in this manner. Such payments are included in Class II and adjusted in the manner appropriate to that class.

Class II Payments

Examples of payments included in this class are—

1. Payments of ground rents, etc., secured upon property.
2. Interest or annuities wholly payable out of profits brought into charge for tax.
3. Dividends of British public companies.

For this class, the tax is assessed directly upon the property or other profits, and (a) the tenant of the property, or (b) the company or other party paying the dividends, interest, or annuities are assessed in due course, at the new rate of 4s. 6d. As the income tax authorities receive only the amount legally due, no question of repayment of excess deductions will be considered by them. Refunds or adjustments in this class must be effected by the person who made the original payment and deduction.

Method of Adjustment

The basic principle upon which adjustments are made in this class is that the tax deductions should be at the rate—or rates—in force during the periods in which the profits accrued. For example, the precise rate in respect of the twelve months ended 30th April, 1923, is 4s. 11.59d. arrived at as follows—

	s.	d.
1st May, 1922 to 5th April, 1923		
= 340 days = $\frac{340}{365}$ ths of 60d.	4	7.89
6th April, 1923, to 30th April, 1923		
= 25 days = $\frac{25}{365}$ ths of 54d.	-	3.70
	<u>4</u>	<u>11.59</u>

This method of calculation yields the exact rate of income tax applicable to the respective periods, but the Inland Revenue receives its full quota of tax direct from the tenant of the property or from the company paying the dividends or interest. The precise adjustment of tax, therefore, does not immediately concern the Inland Revenue; this is a matter which primarily affects the payer and the payee.

Adjustments of tax on property rarely arise except in connection with a sale of the property and the above method of calculating the tax on the exact number of days up to the date of settlement should be adopted so that the buyer and seller both bear their correct quota of tax. The buyer receives an allowance off the purchase price for the unpaid tax and, in due course, accounts to the Inland Revenue for the full amount due.

Dividends of Public Companies

With the dividends and debenture interest, etc., of British public companies, however, the customary practice is to average the tax on a monthly basis, the fiscal year being treated as commencing on 1st April. Thus, for the financial year ending 30th April, the tax deduction on this basis is 4s. 11½d. made up as follows—

	s.	d.
1st May, 1922, to 31st March, 1923		
= $\frac{11}{12}$ of 60d.	4	7
1st April, 1923, to 30th April, 1923		
= $\frac{1}{12}$ of 54d.	=	4½
	<u>4</u>	<u>11½</u>

For companies who complete their accounts half-yearly and pay dividends, etc., out of each half-year's profit, the correct basis of deduction is the average rate in force for that half-year.

A table is appended showing the yearly and half-yearly rates of tax chargeable for the periods closing at the end of each month until 31st March, 1924, calculated

on an equal monthly basis and also on the exact number of days. The method of averaging in equal months yields a far more convenient rate, but it slightly favours the shareholder at the company's expense. The difference, however, is very small; it amounts, approximately, to 8d. or 9d. on an annual dividend of £100.

TABLE

showing the average rates of Income Tax deductible from dividends or other payments which are chargeable with tax at the rate (or rates) in force during the period for which the income was derived.

Financial Period Ending	Calculated on an Equal Monthly Basis		Calculated on the Exact No. of Days	
	Rate for the Full Year	Rate for the Half Year	Rate for the Full Year	Rate for the Half Year
	s. d.	s. d.	s. d.	s. d.
30th April, 1923	4 11½	4 11	4 11-59	4 11-17
31st May, 1923	4 11	4 10	4 11-08	4 10-15
30th June, 1923	4 10½	4 9	4 10-58	4 9-15
31st July, 1923	4 10	4 8	4 10-08	4 8-17
31st August, 1923	4 9½	4 7	4 9-57	4 7-17
30th September, 1923	4 9	4 6	4 9-07	4 6-16
31st October, 1923	4 8½	4 6	4 8-58	4 6
30th November, 1923	4 8	4 6	4 8-07	4 6
31st December, 1923	4 7½	4 6	4 7-56	4 6
31st January, 1924	4 7	4 6	4 7-05	4 6
29th February, 1924	4 6½	4 6	4 6-59	4 6
31st March, 1924	4 6	4 6	4 6-08	4 6

Interim Dividends

Dividends, etc., paid by public companies during the period 6th to 16th April, 1923, will, in most cases, relate to an earlier ending date than 6th April, so that adjustments will rarely be required except in the case of interim dividends on account of a financial year ending at a later date. For the latter cases, the excess deductions on the interim dividend must be made good to the shareholders on the final payment.

Where the two dividends are equal in amount, the adjustment is simple. For example, the average rate of tax for the year ended 31st July, 1923, is 4s. 10d., and as an interim dividend paid in March was subjected to tax at the 5s., the adjusted rate deductible from the final dividend will be 4s. 8d.

But where the payments are unequal

a more abstruse calculation is required, as shown in the following example—

Financial year ending 31st July, 1923.

Average Rate = 4s. 10d.

Interim dividend of 5% paid in March.

Final dividend of 10% payable in September.

	£	s.	d.
The tax on the total dividend of £15 at 4s. 10d. is		3	12 6
The tax deducted on the interim dividend of £5 at 5s. was		1	5 -
The balance deductible on the final dividend is		2	7 6

∴ The average rate deductible on each £1

of final dividend is $\frac{47s. 6d.}{10} = 4s. 9d.$

This method must always be adopted where there are two or more unequal payments during the financial year. A practical difficulty which arises is that when shares are sold between the two dividend payments the buyer gets the benefit of the adjustment to the detriment of the seller. The Inland Revenue, in a recent circular, suggests that when an individual, in such circumstances, requests an immediate adjustment, "this can no doubt be complied with." But company secretaries will disagree! Where there is a big shareholding and an active market in the shares it is not practicable to issue a large number of cheques for these small deductions.

Payments "Free of Tax"

Where dividend or other payments are made "free of tax" no question of repayment or adjustment can arise. The recipient receives his percentage dividend in full and the company pays the proper rate of tax on its taxable profits in due course.

It should be remembered, however, that the principle of the income tax is that the British Government takes a certain portion of each individual's profits or income, and the term "free of tax" is really a misnomer. From each £1 of income the Government takes 4s. 6d. ($\frac{9}{16}$ ths of a £) leaving the taxpayer 15s. 6d. ($\frac{7}{16}$ ths of a

£), and the true total income is the "tax-free" dividend plus the tax applicable thereto.

The following formulae may be used in the computation of the tax and the true total income.

Tax = $\frac{3}{4}\%$ of tax-free dividend

True total income = $\frac{41}{4}\%$ of tax-free dividend.

Example. Dividend at 6 per cent free of tax on £100 is received. What is the amount of tax and true total income?

	£	s.	d.
Net dividend on £100 is	6	—	—
Tax = $\frac{3}{4}\%$ of £6	1	14	10
True total income = $\frac{41}{4}\%$ of £6 (To nearest penny.)	7	14	10

When preparing statements of claim for refund of tax, this "true total income" should be shown, and a refund claimed of £1 14s. 10d. If a claim is made on the net basis of £6 (i.e. @ 4s. 6d. = £1 7s.), the taxpayer is at a loss. Similarly, the true total (not the net payment) should be included in any statement of total income.

Irish Dividends

The position with regard to dividends of Irish Free State companies is, at the moment, somewhat complicated. Up to the 5th April, 1923, the basis of taxation on persons and companies domiciled in the Irish Free State remained unaffected by the establishment of the Irish Free State. But commencing with the current fiscal year the Irish Free State will be treated in the same way as other self-governing dominions, e.g. Australia and Canada, and, therefore, paying agents in Great Britain and Northern Ireland who are entrusted with the payment of dividends on shares of an Irish Free State Company must deduct British income tax from those dividends and hand over the tax as deducted to the British Inland Revenue. Collecting agents, i.e. bankers and others who collect dividend warrants or interest coupons of an Irish Free State Company are under a similar liability to deduct and account for British income tax on these dividends and interest. The

only exception to this rule is when the owner of the shares is not resident in Great Britain or Northern Ireland and, therefore, is not liable to British income tax.

But dividends for periods ending prior to 6th April, 1923 (although paid after that date), are exempt from this liability to deduction of British income tax and the liability attaches only to dividends in respect of profits for periods after 6th April, 1923. Further, where the dividend is for a period which commenced before the 6th April, 1923, and ends after that date, the dividend must be apportioned. For example, on a dividend for the twelve months ending 31st May, one-sixth of the dividend (representing the two months April and May) must be brought into account for British income tax.

Irish Free State companies, however, ordinarily deduct income tax from payments of dividend, but any such deduction for periods (or proportionate part of periods) commencing 6th April, 1923, must be regarded as Irish Free State income tax and, in addition, British income tax must also be deducted from such dividend or proportionate part. Hence, British shareholders will experience double taxation subject to the relief mentioned below.

Relief in Respect of Dominion Income Tax

Under the provision of Sect. 27 of the Finance Act, 1920, British taxpayers are entitled to a measure of relief from double taxation on dividends of colonial or dominion companies. The rate of relief is determined as follows—

(a) If the Dominion rate of tax does not exceed one-half of the appropriate rate of British income tax, the rate at which relief is to be given shall be the Dominion rate of tax.

(b) In any other case, the rate at which relief is to be given shall be one-half of the appropriate rate of British tax.

British companies having branches in

the colonies and whose profits are subjected to Dominion income tax, or paying agents of colonial companies may obtain authority from the special commissioners of income tax to deduct British income tax at a rate adjusted to allow of Dominion tax relief. But special arrangements must be made with the commissioners in advance.

When this authority is not obtained, deductions must be made at the full rate and British shareholders must individually prefer claims for repayment of the allowance due. In the first instance, shareholders should approach their local inspector of taxes.

Inland Revenue Circulars

Circulars relating to these adjustments

of British income tax, Irish Free State taxation and Dominion relief have been issued by the Inland Revenue. Their principal features are summarised and exemplified in this article, but secretaries and others interested may obtain copies on application to the Secretary, Inland Revenue, Somerset House, W.C.2.

Finally, it may be added that the Inland Revenue state the expression "United Kingdom" in the Income Tax Acts will now mean Great Britain and Northern Ireland. Income tax imposed by the British Houses of Parliament prior to 6th April, 1923, is officially described as "United Kingdom income tax," but commencing with the current fiscal year it is known as "British income tax."



What the French Gamble is Costing Us

Outspoken Speech by Sir Eric Geddes

AN impressive speech dealing with the damaging effect upon British trade of the French advance into the Ruhr and the unsettled state of Europe generally, was delivered last month by Sir Eric Geddes at the annual meeting of the Association of Trade Protection Societies.

He pointed out that the effect of the French action was becoming more serious every day, and asked whether we could continue any longer as a benevolent onlooker. While the advance had caused a slight temporary boom in the coal, iron, steel, and coke trades, with a slight tendency to a sympathetic rise in a number of connected trades, on the other hand it had been accompanied by a very serious setback in other trades, particularly in wool and cotton textiles, and we all knew that it would have a very bad effect on purchasing power, so that the final result would be a crippling one on all the markets of the world.

Its effect upon British unemployment was plainly apparent.

While in the industries mainly engaged in home trade the percentage of unemployed to insured persons was from 6 to 18 per cent,

in industries engaged mainly in or dependent on overseas trade the unemployment was from 9 to as high as 35 per cent. Unemployment was therefore definitely worse in the manufacturing trades for export than in those for home consumption.

The European situation was the principal cause of unemployment and trade retardation in this country, and in these circumstances he made a strong plea for definite action by the Government. Was it not time, he asked, that we took a hand in the present situation, pointing out as one friend was entitled to point out to another the grievous harm which was being done to us by the action of our friends, especially in view of the incommensurate results which that action had obtained.

Sir Eric Geddes concluded by saying that he did not think any self-respecting Britisher was proud of our present position as regards the Ruhr. "The situation is serious and wants courage in its handling. Is that courage in evidence? Doles are not evidence of it. England will not fail if those who lead her have the courage of those whom they lead. Tranquillity never won a battle yet."

Who's Who in Business

Sir Robert Abbott Hadfield, Bart.

By ARTHUR S. WADE

One of the most brilliant industrial scientists of the day is depicted in this sketch—a tremendous worker, with outstanding scientific discoveries to his credit, builder of a great business, and a sympathetic and conciliatory employer, favourable to the legitimate aspirations of Labour.

SIR ROBERT HADFIELD is so much more than a business man, as that term is generally used, that it is hard to fit him into the scheme of a series of articles such as this. He is a business man, and a very good one; but that side of his achievements is dwarfed by his eminence as a discoverer in applied science and his big discerning power in the realm of industrial organisation. He is pre-eminently a man of ideas, but even that honourable description demands extension before it quite hits off his real characteristics. For the man of ideas very often does not link head and hand; our history gives many remarkable cases of men who could think out wonderful schemes but needed practical helpers to realise them in actual life. Two gifts seem to have been made at Sir Robert's birth by those fates who let fall their treasures where they list—one, the power to see in imagination how concrete realities may be changed from what they are; and the other, that rare practical sense which can turn ideas into facts. Such a combination is one of the rarest things in life, and where it exists is bound to produce a man who will profoundly affect his generation for good or ill.

In one of his most brilliant passages Emerson speaks of the world of difference there is in the way men make use of money. "In one hand the dime became an eagle as it fell, and in another a copper cent. For, obviously, the whole value

of the dime is in knowing what to do with it. One man buys with it the land-title of an Indian and makes his posterity princes; or buys corn enough to feed the world; or pen, ink, paper, or a painter's brush by which he can communicate himself to the human race as if he were fire; and the other buys plums and gooseberries. Money is of no value; it cannot spend itself. All depends upon the skill of the spender." If that quotation be considered carefully, it will be seen that most of what Emerson says can be applied to ideas with as much appropriateness as to money, if not with more. And Sir Robert Hadfield is of those with whom the new idea becomes an eagle as it falls.

A Famous Scientist at 28

From his very earliest youth his bent in the direction of scientific industry and practical organisation has been apparent. Chemical and metallurgical research attracted him in his teens, and he went from his early studies at the Sheffield Collegiate School, where he became well grounded in general knowledge, straight into his father's iron and steel works at Sheffield. A laboratory was specially built where his talent could have full scope, and there he worked away on research into the nature of useful metals and what combinations of them would best serve the purposes of man. His father's early death brought works

management responsibilities when he was of little more than the ordinary college age of to-day. At twenty-nine he was chairman and managing director of the growing foundry. By this time he had not only greatly extended the Hadfield foundry, but had begun to win a great reputation as a discoverer in applied science. He was only twenty-eight when his celebrated paper on manganese steel, read before the Institution of Civil Engineers, sent something of a thrill through the engineering world, since it announced a material with possibilities up to then only dreamed of in the steel world. Thence onwards Robert Hadfield continued his pioneer work in metals and alloys. It is this kind of achievement that has

won him his greatest triumphs and made him an international figure among the men of applied science. The honours he has won in this field comprise a unique list, and include the highest that Britain, America, and the Continent can offer.

The Growth of Hadfield's

And, side by side with the building up of his reputation as a technologist, the extension of the Hadfield steel foundry

at Sheffield went on. In less than twenty years his discoveries and wise management had increased its capacity so greatly that the number of employees had grown from 400 to 4,000. Wonderful and romantic things took place on a gigantic scale there. What test, for instance, could be

more titanic, in a way more terrifying, than that of the Hecla works, where the latest type of big gun was fired against the newest and strongest armour plate in order that the results might be definitely seen and measured? That is characteristic of the thoroughness which began in Robert Hadfield's youthful laboratory. What was learned in miniature there turned the works themselves into a huge experimental station in which theories

were developed as well as proved.

Nor must one forget that the work of both the laboratory and the foundry came later to have a tremendous importance to Britain's safety, while the help and advice of their chief was an asset which could scarcely be overestimated.

May the results of inventive genius never be needed in the cause of war again!



Portrait

SIR ROBERT HADFIELD

Elliott & Fry

An Industrial Statesman

From this inadequate outline the reader may perhaps gain some idea of the achievements of this northern genius. What of his personality? He is a man whose qualities are extremely British. Moreover, despite the accident that his inventions have had so great an importance in war, he loves harmony. No man has been so proud of the industrial peace in his own works, nor has any struggled harder to bring capital and labour everywhere to peaceful co-operation. The readers of this magazine know his views on the folly and wastefulness of industrial contentions. To his other qualities must be added that of industrial statesman. It is here that his British common sense has been best exhibited, using the term in its true sense of knowing how to pursue the happy mean, the path of give and take. A whole article would be necessary to state what he has done and suggested for industrial peace; but perhaps a good epitome of it can be given in the words of a message he sent to *The Times* at the

conclusion of the last great engineering dispute: "I agree," he wrote, speaking of the outlook at that moment, "that we must not be pessimistic. The future may look dark, but it is always darkest before the dawn. All this industrial unrest is the outcome of war. Before the war, in my opinion, we did not pay the workman enough—I mean all of us, including myself. The war gave some of them all they asked for. As we get back to ordinary commercial conditions, is it to be wondered at if the difference between pre-war and present circumstances is startling, and that we find ourselves in something of a hole?"

There speaks the employer who is also the man of sympathetic understanding. The words are all the more acceptable for the confession of personal responsibility. They show the men who can face the errors of the past and the issues of the future. In them breathes a spirit which when it has been broadcast among capital and labour will cause the crooked places to be made straight and the rough places plain.



Who is the Loser?

THIS interesting exchange puzzle is given in a Luxemburg paper. Amusing on the surface, it is in reality a very pertinent economic problem.

Two neighbouring countries—let us say France and Belgium, for the sake of argument—have the same currency, so that the French franc has the same value in Belgium as the native one and *vice versa*. Different times come along, and both countries try to get at each other's throat. France issues a decree that henceforth the Belgian franc shall only be worth 90 centimes, and Belgium retaliates with a similar counter decree.

Now it so happens that near the frontier there lives a man with a big thirst and

little money. He takes his last possession, a French franc, goes with it into a French inn and drinks a "schnapps" for 10 centimes. Instead of taking the 90 centimes change, he asks for a Belgian franc, which, of course, is its equivalent in value. With his Belgium franc he goes over the frontier and drinks a "schnapps" for 10 centimes in a Belgian inn, asking for a French franc as the change. With the French franc he goes back again over the frontier and continues the procedure. And so he drinks to repletion without having paid a centime for the pleasure of doing so. The question now arises: Who really pays for these drinks?

W. O. S.

The Verification of Cash Receipts

By W. REGINALD BRAY

Neglect of receipt books is rife in offices, and in the opinion of the writer, a professional auditor of wide experience, many firms would be well advised to overhaul their present loose methods of receiving cash payments. A useful system is recommended, applicable to any business, which would place the record and acknowledgment of cash transactions on a sound and efficient basis.

MOST firms are careful enough to see that receipts are obtained for all cash paid out but are very slack in their system of verifying cash received. Many frauds occur through the careless way receipt books are used by various members of the staff, and it is quite a common occurrence to see half-used receipt books owing to the practice of starting a new one because that in use has been mislaid.

Receipt books should be issued by only one person on the staff, preferably the secretary, whose duty it should be to keep a record of their issue in a book ruled in the following manner—

RECEIPT BOOK RECORDS

Serial No.	Date of Issue.	Stamped or Un-stamped.	Signature of Person to whom issued.	Date returned.
H.M. 2301-2400	28/6/22	Stamped	John Brown	18 Aug., 1922

From the particulars shown in the record book, the secretary would be able in a few minutes to ascertain exactly how many books were in actual use, as each signatory for a book would be made responsible for its safe return, and only those to whom receipt books have been issued should be allowed to give receipts.

Where there are a very large number of books in use it would be wise to keep a separate record book for those issued to

town and country travellers, apart from those issued in the counting-house.

To carry the system still further, it would be advisable to have a voucher column ruled on the receipt side of the cash book so that against each receipt the number of the receipt given could be entered. In the case of companies this will considerably assist the auditor, when receipts may be vouched, if it is considered necessary.

Moreover, there is to my mind no reason whatever why every receipt should not have some reference or other, i.e. those other than mentioned above. Cash sales, for example, if properly kept, have counterfoils which are added up either daily or weekly, and the total entered in the main cash book. The reference for this item would be either the folio of the cash sales book upon which the summary was made, or the numbers of the counterfoils themselves.

Thus :

“either C.S.B. 112 or 18221/18342.”

Receipts in respect of transfer fees or registration fees should be referenced by the folio in the share transfer journal.

Thus : “S.T.J. 42.”

There will naturally be a few receipts of a more or less private nature and very probably non-recurring items. Among these may be the following—

- (a) Interest from investments.
- (b) Receipts from insurance companies.
- (c) Transfers from deposit.
- (d) Income tax repaid.
- (e) Shipping rebates.
- (f) Refunds on account of over-payments.

With regard to these, it would be better, if the system is going to be carried out in respect of every item, to keep the documents, letters, etc., relative to such items on a special file and number them. This number would be the reference for the cash book and be entered "F. 26." Dividends received without warrants should be referenced with the date entered in the pass book, thus, "P.B. 18/11/22." Similarly, with transfers from deposit, should there be no document for this entry.

Bills receivable, met, or discounted would be referenced by the folio in the bill book, viz. "B.B. 29." Advances from banks or loans can be referenced either by means of the special file or pass book entry dates. Contrasts, of course, will not need to be referenced. The issue of new capital or calling up of same would

be referenced to the share ledger, or with letters of "Application" and "Allotment."

Receipt books should bear the name and address of the firm or company boldly printed and, for preference, in a distinctive colour which can be easily recognised.

Precautionary notes in the books are customary, although I do not place much value in them, for how many persons ask to look at the book from which they receive their receipt to see if it is possibly genuine! After all, even if the receipt were given on a piece of ordinary paper signed by the firm's agent, it is perfectly in order as far as the person paying the cash is concerned.

If the above system is carried out every cash receipt should have its own particular reference, a system which, although important, has probably been never carried out in entirety by any firm.



Are There Too Many Clerks?

THE clerk, under any system, has his appointed place—an important place—in the work of production. But modern capitalism surely sets far too many of us clerking, and far too few actually turning out the goods that can be used and enjoyed. A huge modern office such as the Prudential or the Employment Department is a nightmare. . . .

We want enough of the best clerical and administrative ability to ensure that the work of production and distribution is efficiently organised. Certainly, and many productive businesses have still to realise the economy of high efficiency, involving good pay and conditions, in their administrative departments. That is not where the overgrown staffs are to be found. It is this

madness of salesmanship, of the art and craft of making people buy what they don't want, of advertising stunts, and competitive sales campaigns, that makes the man in the moon laugh. Half the clerks in the world are, from any rational human point of view, wasting their time. Nay, worse: they are swelling the prices of goods to the consumer, when the consumer's income is not half big enough to buy the goods that could be produced if we could afford to buy them.

In the world of the future, there will be less "mere clerks" and more technicians and administrators. We shall spend less time merely adding up figures or sending out circulars, and more in producing and in organising production.

Mr. G. H. D. Cole, in "The Clerk."

"Can Your Works' Rating Assessment be Reduced?"

By HENRY E. COLESWORTHY, A.S.A.A. (Hons.)
Gold Medallist of the Society of Incorporated Accountants and Auditors
and SIDNEY T. MORRIS, A.S.A.A. (Hons.), A.C.W.A.

An article of very great topical interest and value to business firms. It is notorious that local rates now represent a tremendously heavy burden on industry, and therefore the importance of a periodical review of the rating assessment cannot be exaggerated. Careful study of the information given may result in a very considerable saving of money.

THE burden of local taxation—still exceeding one pound something in the pound in many industrial localities—is one which should be reviewed by every factory owner or lessee at regular intervals. With the policy of rating authorities we are not concerned, although general increased interest in local affairs on the part of manufacturers who have hitherto excused themselves on the ground that their business occupies all their time, would undoubtedly result in the alleviation of the total burden. With the individual burden, however, every manufacturer and merchant should concern himself. He should see that his rating assessment is equitable and that he has taken full advantage of every right of reduction.

It is not inferred that the average business man placidly accepts any assessment made upon him, or that he merely pays his rates with no more protest than is raised by a fatalist in any such unpleasant circumstance.

It is a fact, however, that many assessments are not reviewed and reduced because the occupier is not aware of numerous special grounds for relief. For instance, many a manufacturer is amazed when he learns for the first time that in certain circumstances the losses he has incurred during the past few years may give him ground for a reduced assessment; generally speaking, trading profits or losses and the works rating assessment are

rarely connected by the factory occupier when considering one or the other.

There are two main points connected with rating assessments with which every factory occupier should be acquainted—

1. The circumstances under which a rating assessment, reasonable at one period, may subsequently become excessive.
2. The general principles upon which assessments are calculated.

The Owner-Occupier and the Lessee

The net assessment or rateable value of a property should represent the rent at which the premises might reasonably be expected to let from year to year (the tenant paying the usual tenant's rates and taxes), after deducting from such rent the probable average annual cost of repairs, insurance, and maintenance payable by the landlord. It will be seen, therefore, that where property is let on a yearly tenancy, the tenant bearing rates and taxes and the landlord bearing repairs and insurance, the rateable value should correspond with the yearly rent after deducting the landlord's burdens. The basis is different, however, whenever the property is occupied by the owner and there is no comparable property from which to calculate the anticipated rent; and, similarly in the case of properties let on a long lease at a fixed rent, where the value from the point of view of a prospective tenant varies after the signing of the lease. In these cases the procedure is to estimate from

time to time the amount of rent which a hypothetical tenant would give for the premises. Every possible tenant must be taken into account including the actual owner-occupiers or lessees. It is in the calculation of these estimates that most excessive assessments arise, and every occupier of property not comparable with other property should be particularly careful to consider whether circumstances have not changed since his assessments were fixed, to such an extent as to render them excessive.

A Reasonable Assessment may Subsequently Become Excessive

The circumstances under which a rating assessment which at one time was reasonable may subsequently become excessive can be tabulated as follows—

1. Where the property was originally assessed on the basis of constructional cost and the cost of replacement has fallen since the original erection.
2. Where part of the property has been destroyed by a sudden cause such as fire, explosion or flood, or by a natural cause such as wear and tear, and it is not proposed to rebuild.
3. Where part of the property formerly occupied as a factory is now occupied solely as a store or warehouse or is unoccupied.
4. Where the property is only suitable for a particular trade or trades and those trades can only be carried on at a loss or at a profit insufficient to yield a reasonable return on the capital employed.
5. Where property which originally had certain special licences, rights or advantages of position ceases to hold these licences, rights or advantages.

How to Appeal

Every factory executive should consider these clauses and then closely review the works assessments. If any one or more of these conditions exist then the occupier should give notice of appeal at once. The procedure is simple. Application for the necessary forms must be made to the Clerk to the Assessment Committee or the Overseers of the Parish. If the address of the Clerk is not known

it is sufficient to apply to the Rates Collector. The forms are not intricate in any way and only one hint is necessary: in the space marked "Grounds for appeal" should be inserted a broad general reason instead of one precise detailed reason. Precision in stating grounds for appeal may preclude relief under one or more conditions which have been omitted but which might have been covered by one broad reason. Forms of appeal are made out in duplicate, one copy for the Clerk to the Assessment Committee and one for the Overseers.

It is sometimes thought that appeals against assessments within the Metropolis can only be made when the assessment is originally fixed or when the quinquennial valuation is made. This is not so. Both within and without the Metropolis, if the value of the property has become reduced as set out above since the assessment was last fixed, then an appeal may be entered at any time.

General Principles upon which Assessments are Calculated

In order to understand the general principles upon which works assessments are calculated it is necessary to classify property under three headings—

- A. Properties let on a yearly tenancy.
- B. Properties let on long lease at a fixed rent.
- C. Properties occupied by owners.

As already indicated, the basis of assessment for properties let on a yearly tenancy is a simple one and the rateable value consists of the actual rent paid less the landlord's burdens. If an excessive assessment has been made on such property the amount of the excess is readily ascertainable and the appeal procedure will usually be one of routine only.

If the property is let on long lease at a fixed rent it is necessary to consider whether the value of the property from the point of view of a prospective tenant

has varied since the execution of the lease. If the value has not varied then the rateable value will correspond with the actual rent less the landlord's burdens, as in the case of property let on yearly tenancy. If the value has varied since the signing of the lease the basis of assessment will be calculated in a similar manner to that for property occupied by owners. Before proceeding to deal with the latter class of property it should be stated that an assessment committee will not necessarily assess a property from the basis of the rent, if the actual rent appears to be an artificial charge. In any such case the committee will proceed to calculate a hypothetical rent as in the case of property occupied by owners.

In assessing property occupied by owners it must be ascertained whether there is any comparable property let on a yearly tenancy. If such property exists then the basis of assessment will be the rent obtaining in the case of that property less the landlord's burdens. If there is no comparable property then a hypothetical rent must be calculated.

Hypothetical Rents

If the building is generally suitable for any ordinary trade or manufacture then the net assessment or rateable value will usually be 4 per cent on land, 5 per cent on the present constructional cost of the premises, and a slightly higher percentage on the value of the fixed machinery forming part of the construction and passing with it. If the building is not generally suitable for any ordinary trade then it must be decided—

1. Whether the building is constructed for certain particular trades or manufacture only; or,

2. Whether it has special licences' rights or peculiarities of position which will enable the occupier to make an abnormal profit.

In estimating the hypothetical rent in these cases, consideration must be given to the amount of capital return or profit

which a tenant occupying those premises would expect to make, this being the factor which influences prospective tenants in renting that particular building. The rateable value should not exceed the amount of profit which an ordinary tenant might expect to make, after deducting from such profit a reasonable return on the working capital employed by him in the business.

If the occupier is a working proprietor, a deduction should be made from the profit for reasonable remuneration to him corresponding with the normal salary he would have to pay to an employee capable of carrying out his work.

Illustrative Cases

In order to illustrate the effect of these bases and in order to indicate the circumstances under which appeals should be lodged, the following examples are given—

A. A factory is devoted to the manufacture of a commodity commonly made in the district. *The factory is suitable for any ordinary trade*, but it has a peculiarity of construction which renders it incomparable with other properties. It is occupied by the owners or by lessees with a long lease. It has no special licences, rights or peculiarities which render abnormal profits possible.

In this case a basis of 4 per cent to 6 per cent on *present* cost of the land, premises and fixed plant as previously indicated will usually be adopted. The occupiers of such property should lose no time in ascertaining the cost of replacing the factory at current building rates. This is particularly important if extravagance was indulged in at the time of the original erection or if the factory was built at the instance of Government departments at high war cost.

B. A factory devoted to a manufacture *entailing a peculiar layout and construction*, e.g. special furnaces, kilns, gasometers or unusual shaped shops, is situated in a parish in which there is no similar property. It is occupied by the owners or by lessees with a long lease.

The rules applying to such a case are—

1. If the factory could possibly be used for any ordinary trade, then normally 4 per cent to 6 per cent on present cost will be the basis. If the cost of replacing the construction falls then an appeal should be made for adjustment.

2. If the peculiar construction of the factory precludes its use for *any other business* then evidence of profits must support any objection to the valuation. It may happen that the valuation was made at a time when the profits were consistently abnormal. With a return to normal trading times it may be found impossible to make any profit. Whether consistent losses or inadequate profits can be attributed to the situation of the factory or to general depression in that trade is a matter of fact, and that is why the basis is said to take into account the profit which any ordinary tenant may expect to make; in other words consistent losses may sometimes be ascribed to indolence, ineptitude or to carelessness on the part of the factory occupier, but unless definite evidence of this can be produced the actual profit or loss made is *prima facie* evidence of normal trading results.

Assuming, however, that even a normal manufacturer failed to make a profit equal to the amount upon which his assessment is based, after deducting interest on working capital, his evidence before the assessment committee for a reduction of his assessment will be substantiated by the production of his balance sheet and profit and loss account. The explanation may possibly be found in the item "carriage and cartage." He will give evidence that the distance from the railway sidings to the factory is such that it eats into the margin of profit and places him at a disadvantage as compared with his more fortunately situated competitors in other districts. Again, his site may be liable to flood and

his stock exposed to damage by water. His factory may be situated at a long distance from the source of supplies of raw material. Labour may be scarce in the district or the rates of pay in his parish may be above the normal for that particular trade.

Supported by such evidence the factory occupier should be able to obtain a reduced assessment varying according to circumstances from something below the normal rateable value based on constructional cost down to that which would be applied if the factory were but a warehouse.

C. A factory, similar to the one considered in example "A" is occupied by the owners or by a lessee with a long lease, but in this case the peculiarity of construction *permits the making of abnormal profits.*

In this case the basis will take into consideration the surplus profit which an ordinary tenant (including the present occupier) might be expected to make in a building not possessing the particular advantage, plus the additional profit due to the peculiarity of construction. This economic "surplus" will only be taken into account if any ordinary tenant could make it, and it is necessary to differentiate between abnormal profit attributable to the advantages of the factory and the abnormal profit attributable to the special ability of the occupier. The former is taken into account but the latter is not.

Review Your Rating Assessment Periodically

These three examples cover the three main classes of property occupied by factory owners or by lessees of factories on long lease. The manufacturer should apply them to his own case and take steps to obtain a reduction if he discovers that he is over-assessed. In every case a periodical review should be made, preferably on each occasion the notice of the settlement of a rateable valuation

list for the parish is posted on the Church doors. Whenever any change occurs in the construction of a factory or in the uses to which it can be put, or whenever a general depression occurs in a particular industry the factory occupier should ask himself whether the change affects his rating assessment. Similarly if a fire or explosion occurs, or if from any other cause part of the factory is thrown into

disuse, or if a furnace or shop is closed down or otherwise thrown out of commission, or if an appreciable fall occurs in the cost of factory construction, then steps should be taken to procure a reduction of the rating assessment and such an application will rarely prove abortive. In practically every case a very great saving of money will be effected.



Business Exhibition at Liverpool

THE Business Exhibition recently held at the Exchange Hotel, Liverpool, attracted a good deal of attention during its four days' run.

The Powers Accounting and Tabulating Machines, which can not only supply daily, weekly, monthly, and annual reports on all phases of business, but will analyse them in any way desired, were given a good display.

The International Multigraph Co. (Britain), Ltd., exhibited multiple typewriters and automatic folding machines, the latter folding letters for the post in any business fold at the rate of 6,000 per hour. Letters printed at a great speed by the Multigraph were "matched in" by a blind operator, with the name and address required in each particular instance so as to have the appearance of individual typewritten letters.

On another stand the Addressall Machine Company displayed instruments which will address from one to ten thousand letters per hour, each with a different address. Still another method of rapid and accurate addressing was shown by Addressograph, Ltd., for whose machines it is claimed that they can deal with all forms of business documents and outstrip the typist by twenty times her speed.

Of calculating machines there were a large number on view, including the Elliott-Fisher machines, which perform wonderful book-keeping, billing, and book-recording feats; Gledhill-Brook recorders for time-checking and job-costing; Comptometer adding and calculating machines; Madas and Millionaire automatic calculators; and other adding machines by the Burroughs and Monroe companies. Filing and Index systems, which have brought to a very high pitch the art of putting everything in its place and finding it again at a moment's notice, were displayed by Vick, Ashworth & Co., Ltd., Kalamazoo Ltd., and Carter-Parratt, Ltd., and typing demonstrations were given on Bar-lock, Imperial, and Underwood machines.

The Liverpool Telephone (New System) Co., Ltd., which is a subsidiary of the Telephone Manufacturing Co., Ltd., West Dulwich, London, had an attractive stand to display its inter-departmental telephone systems, and showed as a side line one of its latest inventions, the Laryngaphone, a telephone receiver for use in noisy factories. The user does not speak into a mouthpiece, but holds the latter to his neck while speaking, and the listener at the other end hears his voice but not the roar of the machinery.

Behind the Scenes of a Railway

By GEO. WHITSTABLE

THE average trader is wholly unacquainted with what goes on behind the scenes of a railway in connection with even such an apparently simple matter as the conveyance of a small parcel of goods, yet we all make use of these carriers to a greater or lesser degree and should therefore know something of their methods. At the bottom the routine clerical work in connection with a holiday-maker's

portmanteau or a van load of merchandise is very much the same.

Dispatching a Parcel

Suppose, for example, that you desire to send a parcel to one of your relatives or friends. If you either go or write to the stationmaster and request him to send for the package he will fill up a carman's instruction form (*see* Form 1) and in due course the collecting van will call at your door, but before the carman leaves your house he will ask you to fill up a "consignment note" (*see* Form 2) which, as you will observe, forms the contract between you and the company for the carriage of the parcel, and contains the company's instructions as to delivery, payment of charges, and so on. On their arrival at the station both the package and the consignment note will be handed to a "checker" whose duty it is to check the goods and superintend their loading, and when he has completed the consignment note, by adding the truck number, the weight of the parcel and his initials,

No.

SOUTHERN RAILWAY

GOODS DEPARTMENT, STATION
.....day of.....19.....

Carman to call at

FORM 1

SOUTHERN RAILWAY

CONSIGNMENT NOTE. _____ Station _____ 19. _____

The SOUTHERN RAILWAY COMPANY is requested to receive and forward by Goods Train, as per address and particulars on this Note, the undermentioned Goods, *on the conditions stated on the other side.*

Signature of Sender or his representative _____ Address _____

[illegible]

* NOTE.—Goods which may be required "TO WAIT ORDER" at any particular Station must be so consigned on this Note.

FORM 2

SOUTHERN RAILWAY

Out _____
In _____

Goods Invoice

Station _____ day of _____ 19____

[illegible]

FORM 3

If a Parcel Goes Astray

If the package arrives at the destination station safely, all well and good. If you have given instructions for it to be delivered on arrival, delivery will be effected in due course ; or if your friends reside some distance away from the station and you have addressed the parcel " Till called for," or asked the company to hold it until it is fetched, an " Advice note " will be sent to the consignees notifying them of its arrival. But what if it does not arrive ? Immediately the non-arrival of a consignment is discovered by the checker at the destination station—and, of course, the " invoices " are checked as soon as possible after their arrival at the other end—the fact is reported to the office and a notice (as per Form 4) sent to the sending

SOUTHERN RAILWAY

GOODS DEPARTMENT.

Mem. From..... to
No..... 19.....

GOODS NOT TO HAND.

[illegible]

Not received here—Report quickly.

FORM 4

station, and if nothing can be heard of the missing package within a reasonable time an "Enquiry note" is sent to every station where it is likely to be—in fact, very often this "Enquiry note" is dispatched simultaneously with the "Goods not to hand" notice. By this

means missing goods are, as a rule, quickly traced and forwarded to their destination.

Or Gets Damaged in Transit

It may happen that your parcel will get damaged in transit. If so, and the fact is noticed by the checker at the destination station, he will report the matter to the office in precisely the same way—i.e. by marking the invoice "Loose condition when received," "Leaking on arrival," or "Contents rattle as if smashed," as the case may be—and a formal notification sent to the forwarding station (see Form 5). Then when you send in your claim the stationmaster will fill in Form

6 and thus cause the matter to be thoroughly investigated. This investigation

SOUTHERN RAILWAY

GOODS DEPARTMENT.

D
Mem. From..... to.....
No. 19....
GOODS IN BAD CONDITION.

Per Waybill dated.....you enter

Received here

Note.—and give us any information you can.

FORM 5

SOUTHERN RAILWAY

GOODS DEPARTMENT.

£2 and under.

FORM 6

Station.....19

Claims £.....

For

To's	From's	Sender	Designation	DESCRIPTION OF GOODS	Weight			Rate	G.M.	Paid on	Paid	To Pay	Are charges estimated?
					T	S	Lb						

SENDER'S

SENDING STATION.....19

By whom Goods brought in.....

Declaration reference.....

At whose risk consigned.....

Date and time received.....

Receiver.....

Quantity agreed for.....

Condition received and forwarded.....

Date and time forwarded.....

Remarks:—

RECEIVER'S

RECEIVING STATION.....19

Date and time of arrival.....

Condition on receipt and delivery.....

Date and time of delivery.....

Signature held from Consignor
and remarks (if any)

Date reported to Sending Station.....

Date of first complaint and inspection made.....

Remarks:

NOTE.—This Form not to be used for Claims over £25. Correspondence of both Stations must be attached.

FORM 6

generally takes a very long time, for practically everyone who has anything to do with the handling of the consignment—e.g. the checker who received it at the sending station, the guard of the

SOUTHERN RAILWAY

GOODS DEPARTMENT.

F
Memorandum from..... to
No..... 19.....
GOODS NOT RECEIVED ACCORDING
TO WAYBILL.

Per Waybill dated..... you enter
for
.....
weight—Tons..... Cwt..... Qrs..... lbs.
We have received
.....
Explain
.....

FORM 7

train which conveys it, and the checker who superintends the unloading of it on its arrival at the other end—each and all of these have to make out a separate

SOUTHERN RAILWAY

GOODS DEPARTMENT.

B
Memorandum from..... to
No..... 19.....
BETTER ADDRESS WANTED.

Per Waybill dated..... you enter
for
.....
.....
Consignee cannot be found.—Advise Sender,
and obtain a better Address.
.....

FORM 8

personal report on the transaction telling all he knows, and it is because of this thorough sifting of every case that the payment of claims is often so long delayed beyond what appears to be a reasonable time.

A Thief Caught Red-handed

Many other things may happen. For instance, the consignment on its arrival at the destination station may differ in some respects from the invoice; if so, then Form 7 would be sent to the sending station; or you may have made a mistake in addressing the parcel, in which case Form 8 would be used; or for some reason or other—say, because the goods have been so badly damaged in transit as to render them useless—the consignee may have refused to accept the consignment, if so, then the refusal would be reported on Form 9. Again, by an oversight the

SOUTHERN RAILWAY

GOODS DEPARTMENT.

C
Mem. From..... to
No..... 19.....
GOODS REFUSED.

Per Waybill dated..... you enter
for
.....
Consignee refuses to receive..... on account
of
.....

Advise Sender, and obtain early instructions for disposal. The Goods remain at.....
at the Owner's risk and expense.

FORM 9

parcel may have been sent forward without being invoiced, and then Form 10 would be sent to the starting point; and yet again, it may happen that neither the invoice nor the parcel will arrive at the other end, and what then? Well, it will then be for you, the sender of the package, to lodge a complaint with the station-master your end and ask him to enquire into the matter. As an instance of this: the writer on one occasion handed the South Eastern and Chatham Railway Company at their Reading station, a parcel of goods for conveyance to Whitstable, but neither the parcel nor its

invoice arrived at the latter place! In fact, both were—so it transpired—stolen

SOUTHERN RAILWAY

GOODS DEPARTMENT.

A
Memorandum from..... to

No..... 19.....

GOODS UNENTERED.

On.....we received from you, unentered,
for

Explain fully, and charge on next Waybill.

FORM 10

during transit at Redhill junction station, but the thief was caught and imprisoned, and the railway company promptly paid the claim for the missing goods.

And that is how every consignment handed to a railway company is dealt with, no matter what the nature, weight, bulk, or length of it may be—every parcel goes through the same process. And besides those already named there are several other operations in connection with each transaction—these being undertaken by “Number-takers,” “Truck-seekers,” “Travelling Inspectors,” “Auditors,” and the “Clearing House” staff; to say nothing of the engineers, signalmen, and a host of other uniform men whose duties are too numerous to mention.

□ □ □

To Stop Postage Evasion

IT is well known that some business firms, in order to avoid the postage increases in this country, have had their circulars, catalogues, etc., posted from abroad, by which, owing to the extraordinary depreciation in the exchange, they have been able to effect considerable economies. This practice has tended to increase, and the Postmaster-General (Sir William Joynson-Hicks) has now brought forward the promised measure to put an end to it.

The text of the preventive Bill provides that “regulations may be made for preventing the transmission and delivery by post of postal packets (wherever printed or produced) posted abroad and addressed to a person resident or carrying on business in Great Britain or Northern Ireland by or on behalf of any person also so resident or carrying on business, if the amount in sterling of postage paid or payable is less than the amount of postage which would have been payable if the packet had been sent as an inland packet.”

If any postal packet is posted or sent by post in contravention of any such regulations, the packet may be charged with additional postage at the full inland postage rate, and the amount will be recoverable from the person by or on behalf of whom it was

posted. If the amount is not paid to the Postmaster-General within seven days after a claim has been sent, the packet may be destroyed, without prejudice, however, to the liability of such person to pay the amount so charged.

Where any packet posted abroad consists of or contains an advertisement of, or a communication with reference to, any business carried on, or proposed to be carried on, in Great Britain or Northern Ireland, it shall be presumed, until the contrary is proved, to have been posted by or on behalf of the person carrying on, or proposing to carry on, such business. “Posted abroad” means posted in any place outside “Great Britain and Northern Ireland.”

* *

“Practical Advertising”

ALL business men—from Managing Director downwards—interested in increasing sales, profits, and their own personal remuneration, are invited to send for a booklet entitled “Practical Advertising,” offered gratis and post free by the Metropolitan College, St. Albans.

This free booklet reveals how to acquire most easily and quickly a practical knowledge of the art of advertising that the reader can apply to his business and personal profit.

In justice to yourself and your future position in the business world write to-day. Its reading can be worth more to you than merely inert monetary capital, for a knowledge of Practical Advertising is actual mental capital.

A Modern Invoicing System

By WILFRED BROWN

THE following system of invoicing, whilst not uncommon, certainly does not appear to have been yet adopted to anything like the extent it might well with advantage be. For every firm who uses it in any of its variations there are probably twenty who have not yet made its intimate acquaintance. Yet its beauty lies in its simplicity, its automatic accuracy, and its adaptability to serve a number of auxiliary purposes.

As it operates in a large manufacturer's office, the system is briefly this—

Quadruple Coloured Invoices

Numbered invoices are used in quadruplicate in four colours, white, blue, yellow, and pink. These are headed "Invoice," "Day Book," "Cost Record," and "Traveller's Copy" respectively. The invoice is of course ruled, and the other three with the exception of the heading, plain. Printed on light-weight bank paper, they are padded in series of fours, in pads of one hundred sets.

The invoices are typed, together with the three copies, from the dispatch slips which come direct from the factory. Should any be spoiled for any reason whatever, they are cancelled by writing across in red ink, on all four copies, but preserved. The object of numbering is that every form may be accounted for, particularly in the cost records and day book.

The first copies are, of course, the customers' invoices. The second go to the counting-house, where they are posted direct to the various sales ledgers. Afterwards collected, they are placed in numerical order, punched, and bound in a loose-leaf binder, and form the permanent day book. By this operation several items

are economised. The cost of a bound day book is materially reduced; the time and labour of entering it separately are cut out altogether; and time is saved in the counting-house by prompt posting of debits direct instead of *via* the day book a day or so later. The benefit of this last is emphasised at the end of every month, when statements are not held up because of ledger postings being behind, but can be proceeded with immediately.

The third copies go to the cost department, where with the aid of an adding machine they are abstracted and dissected for cost purposes. The total figures also provide an automatic trial balance when compared with the sales ledgers totals each month end.

The fourth copies are sent to the representative entitled to commission on the orders. To him they serve first as an advice of dispatch, and second as a check on commission due.

Swift Detection of Error

The whole system is very efficient and simple, and works wonderfully smoothly in operation. With every form to be accounted for none can escape; and should an error in calculation be made on the dispatch slips (when code prices are used) it stands little chance of escaping detection in the cost department, where all invoices are again checked the same day.

Smaller details, also, have been carefully considered. The clearest copy goes where the need for legibility is greatest, and the last to where this is not of such vital importance. The colours cannot be confused by anybody, and reach their respective departments promptly; whilst the

Self-Organisation for Business Men

VIII.—The Cultivation of Ideas (Part II)

By MORLEY DAINOW, B.Sc. HONS. (LOND.)

Director of the London Institute of Applied Psychology

All things, processes, people—all the world that surrounds us, in fact—fall into a certain customary arrangement or order. These things were not placed there haphazard, neither does their order produce its effect as a mere result of accident. What is its effect? Its effect is that the meaning of each thing, the ideas contained in it, can be grasped and used by the minds of men and women. But as the order is not the result of accident it must have a cause. What is this cause? Its cause is a condition, a plan, a fundamental relationship of ideas, of meanings, which is called a reason, or a principle. It is the connecting link between things, the invisible thread behind the beads, the power behind the throne. It is a permanent relationship for it can always be found as a result of thinking, and whenever it is understood and obeyed lasting order is obtained. In the grasp of true principles, the right reasons behind order, lies the real mastery of mind over matter. This turns knowledge into power, power into achievement, achievement into triumph. This month you are shown how to grasp principles.

2.—The Finding of Principles or Theoretical Reasoning

(a) Recapitulation and Introduction

YOU acquaint yourself with things by using your mind through your senses. This act is called *perceiving*. Part of all your perceiving goes on existing in the mind as memory, or past knowledge of things, which helps all your future perceivings. This is called *apperceiving*. By prolonging and intensifying your perceiving, which prolongation and intensification are called *attention* and *concentration*, you make your perceiving better, you notice more clearly the details of and the differences and agreements between, things. Your perceiving has now become *observing*. So far you have been using your mind directly on the things outside you, turning your mind in an external direction; but you can also deal mentally with these things without directly dealing with them in an external way. There are parts of these things existing in your mind; indeed, they have become part of your mind. If you, at this moment, are in your office, you can still see your living room at home, in your mind. If you, at this moment, are in your living room at home, you

can still see your office in your mind. This is *imaging* and what you see is *imagery* (or images).

Just as during observation of things you compare and contrast them, so you also compare and contrast images. These processes become more refined by practice and you begin to find out the inner nature of differences and agreements. Things differ and agree because of the absence or presence, in varying degrees, of certain qualities. One man is fat but tall. Another man is fat but short. One box is black but heavy. Another box is black but light. Tens of thousands of such comparisons and contrasts have enabled you to discriminate between the thing itself (the man or the box) and the qualities of the thing (size, colour, weight). You are now able to realize that the world is divided into two classes: things and qualities; concrete and abstract; matter and non-matter; wholes and parts. This mental step into the knowledge of qualities, of the abstract, of non-matter is called *conceiving*. When you become more intimately aware of the qualities existing within things by always abstracting

them by contrast on the one hand and by perpetually putting them in by comparison on the other hand, you are *thinking*.

(b) *Things are Many : Ideas are Few*

In dealing with things and their meanings, with concrete objects and abstract ideas, you are continually becoming aware of more of each. If you are a great reader of books on psychology you may to-day come across a book of which you have never heard. This will be another concrete object added to your preceptual experience (your experience of things). On taking the book up you will find from the introduction that the author is giving quite a fresh treatment of the problem of the kind of personality necessary for efficient organising. This will be another abstract idea added to your conceptual experience (your experience of meanings).

Every experience can therefore be of twofold value to yourself: a widening of perception and a deepening of conception; a longer list of things you must experience and a clearer understanding of thoughts you must know. These two results are not too difficult to acquire as all things contain ideas and all ideas fit into things. The number of things is probably infinite, but the number of ideas is probably finite. Very many things, for instance, can be covered by one idea. Chairs, armchairs, tables, files, desks, typewriters are all "office furniture." The idea "office furniture" runs through them all. One idea can connect thousands of things. At the present moment the idea "wireless" is the centre idea running through and connecting thousands of different things and processes.

(c) *Truth and Belief in Judgment*

Look at the lamp in front of you. Say something about it. You say "the lamp is bright." Gaze round your room. Say something about that. You say "this

room is comfortable." You are now affirming the order outside you by picking out a thing and adjusting an idea to it. This is judgment.

The form of a judgment is called a proposition, and it has two parts, a subject and a predicate. "Lamp" and "room" are the subjects. "Is bright" and "is comfortable" are the predicates. The subject is usually a thing, and the predicate, a quality or idea. You could not make these judgments without firstly grasping the essential qualities of the thing (lamp or room), and, secondly, having the right past knowledge to recognise and name these qualities. The first process is called sagacity; the second is called learning. When your sagacity harmonises with your learning your judgment is true, and usually in such cases an added amount of mental force in the shape of feeling is generated in your mind. You become surer of your judgment and of yourself. The former is belief, conviction; the latter is confidence, hope.

(d) *Errors in Judgment*

Are your judgments always true? If you are a mechanical engineer and I show you a motor-car you will immediately judge it truly because you will have your ideas ready. If you are a real salesman and I bring you a selling proposition you will immediately judge it truly because you will have your ideas ready. But if I find that your judgment, "This is a really good car," is not supported by my experience of the car or that your judgment, "This is a bad selling proposition," is denied by my subsequent experience in selling, there is evidently a breach between your ideas of the car or the selling proposition expressed in your judgment and my ideas gained from experience. You have been guilty of an error in judgment. Something has eluded you. Either your sagacity failed in analysing the thing,

in breaking it up into its constituent ideas, or your learning failed in synthesising or in fitting things to the ideas you abstracted. You must therefore go back to each of these processes, start again and make each more thorough.

(e) *Making Truth Permanent*

But you want to be sure every time. Your judgments so far are true and convincing and confident. They are useful. But are they complete? Will they *always* be useful? Will the truth of to-day be also the truth of to-morrow? Was the truth of to-day the truth of yesterday? Is there anything final and permanent between our sagacity (grasping ideas of a present thing) and our learning (grasped ideas of past things) which can be an unfailing and constant guide to truth?

I am now asking a question, different in kind to any that I have yet asked of, or answered for, you. So far every question started with the word *how*. For example, How does the mind observe? How does the mind remember? In reply to these questions I have given you *descriptions* of the mind's workings. But now I am asking a question commencing, not with *how*, but with *why*. Why is any judgment permanently true? To answer such a question *explanation*, not description, is necessary.

Take any judgment you like; say, "wood floats." The subject (the thing) is "wood." The predicate (the quality, the idea) is "floats." It is a true judgment, for your sagacity (your immediate understanding of the thing wood) harmonises, or agrees with your learning (your past understanding of all kinds of similar things, of all kinds of woods). But why does wood float? What idea or quality is there present in the thing "wood" and what are the things contained by the idea or quality "floats" that is *the binding link between these two*? *This connecting link this underlying basis*

of order, this fundamental condition is Reason..

Take the thing "wood." Analyse it. Break it up. One of the ideas you bring forth as a result of analysis is that wood is "lighter than water." Take the idea "floats." Synthesise it. One of the classes of things that float are those that are "lighter than water." This idea "lighter than water" is the common fundamental, permanent link of reason binding "wood" to "floats." You can now say wood floats because it is lighter than water. This is your reason, the basis, the groundwork of your judgment. This is the permanent, unassailable, unfailing, lasting rock and foundation of truth.

(f) *The Heart of Truth or Getting in Touch with Reason*

I shall now take a few judgments and treat them so as to find the ultimate basis of reason. The treatments are excellent mental tonics. The reasons are among the most valuable results in training for mental efficiency.

I. You say "Mr. Lloyd George is a great political leader." This is your proposition. The subject is "Mr. Lloyd George"; the predicate is "is a great political leader." If this is true, why is it true?"

Take the predicate and treat it as an idea. Synthesise it. To what things or ideas can you fit it? Here are some: strength of personality; compelling use of personality; ability in public speaking; speed of thought and action; high intelligence; sense of advantage or tactics.

Take the subject and treat it as a thing. Analyse it. What are the ideas contained in it? Here are some: tactician; high intelligence; quickness in thought and deed; great debater; tremendous sway and strength of personality.

By the processes of thinking, of analysis and synthesis, of intension (clarifying ideas) and extension (classifying things) you strip from your judgment all ignorance and expose the fine crystals of reason. You can now say truly, to give only a few reasons, "Mr. Lloyd George is a great political leader because he is possessed of a strong personality, a high intelligence, and great ability in public speaking."

II. You say "Pears' Soap is excellent for the complexion." The subject is "Pears' Soap"; the predicate is "is excellent for the complexion." If this is true, why is it true? Take the predicate and treat it as an idea. Synthesise it. To what things can you fit it? What are the things good for the complexion? Here are some: dirt removing things; pure things; fat things to lessen friction; invigorating things.

Take the subject and treat it as a thing. Analyse it. What are the ideas contained in it? Here are some: it removes dirt; it is pure; it contains fat; it is refreshing.

By thinking you have penetrated through your judgment into the bed rock of reason. You now know the cause supporting your judgment, the principle. You can now truly say: "Pears' Soap is excellent for the complexion because it removes dirt, is pure, contains fat, and is refreshing."

III. You say "Business is a great social service." Is this really true? Take the predicate "social service" and treat it as an idea. Synthesise it. To what things can you fit it? What things are social services? They are: hospitals, schools, churches, theatres, art galleries. These things have: goods that are needed; methods for handling the goods; methods for distributing the goods.

Take the subject "business." Treat it as a thing. Analyse it. What does it contain? It contains: goods needed; methods of handling (administration); methods of distributing (selling). You can truly say, therefore, that "Business is a great social service because it contains goods needed by the public; it handles the goods; it supplies the goods to the public."

Your thinking has taken the things you know, the ideas you know, the relations you affirm, and has led you to the connecting link between all of them, the master idea, the reason, the cause, the underlying principle.

QUESTIONS: SET VIII

(NOTE.—No answer should take more than eight minutes or be expressed in more than eighty words.)

1. Describe how you have moved, mentally, from a knowledge of things to a knowledge of ideas.
2. (a) How do you obtain truth?
(b) What is truth?
(c) What is belief?
3. There are two sources of errors in judgment. What are they? How can you remedy these errors?
4. (a) What is sagacity? How can you improve it?
(b) What is learning? How can you improve it?
5. Explain the following judgments—
I. The Rolls Royce motor-car is the best in the world.
II. The new Shell Motor Oil is a splendid Lubricant for motor-cars.
III. Psychology is the most important study for all men and women.

Answers to these questions, enclosing a stamped addressed envelope, should be addressed to Mr. Morley Dainow, c/o BUSINESS ORGANISATION AND MANAGEMENT, 39 Parker Street, London, W.C.2.

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The West African Trade

By A TRADE CORRESPONDENT

Both exporters and importers will find this comprehensive account of the origin and development of British trade with West Africa an attractive feature. Though hit hard by the slump, West African trade has of late made a remarkable recovery, and no branch of British Overseas trade has brighter prospects for the future. The natural resources of West Africa are incalculable.

WEST Africa until a comparatively short time ago continued in virtual isolation from the great trade movements operating in other parts of the world, an isolation due not so much to its poverty in natural resources as to the special circumstances which caused so large a part of the African continent to remain so long *terra incognita*. Such conditions were due to the lack of communication with the interior, the unhealthiness of coast lands, the small productive activity of the native and, not the least important, the discouraging effect which slave trading had on legitimate commerce.

Happily some of these drawbacks are now being rapidly overcome if, in fact, they have not already been extinguished, and romance alone resuscitates.

West Africa is a land of inconsistencies. The continent of Africa is estimated to have an area of approximately 11½ million square miles and a population of 180,000,000. It can thus be realised that Africa is not a densely populated area, and in some of the richest parts of French Guinea there are only some eighteen persons to the square mile.

If we go to America we are able to purchase, for a few shillings, a watch which will not only keep excellent time but which has been produced by a group of capitalists who made a profit out of the transaction despite the fact that the workmen engaged in the manufacture of the watches receive twenty times higher wages than those paid to the native

workers in West Africa. If we reflect upon the fact that West Africa undoubtedly possesses natural advantages equal to the country in which these watches are manufactured, we are tempted to question why West Africa has not moved forward more quickly.

We must appreciate, however, that intimately bound up with the future commercial development of West Africa is the question of native temperament. The West African native is, in most instances, at the bottom of the ladder of civilisation as we interpret that term: and this, together with the fact that Nature has endowed him with all the wants necessary to his existence, in his present state, offers him a great advantage over us, who, by economic law, must either work or starve. At the present time, such economic conditions in West Africa are at a discount. It will thus be obvious that not until the native of West Africa moves on to a higher mental plane will he automatically make greater demands upon these resources of commerce and industry which at present he is incapable of utilizing.

In studying the possible lack of development of West Africa, in comparison with other parts of the world, it should perhaps not be forgotten that it is only of comparatively recent years that the world has found use for its produce in the present large proportions. As the native of West Africa comes into closer commercial relationship with the outside world the

tendency will be for him slowly to adjust himself towards the level of those with whom he transacts business.

Trading Conditions—Past and Present

The earliest trading connections with West Africa which can be traced with any degree of certainty carry us back to the late fifteenth century. About this time a fairly large timber trade was carried on between this country and Bathurst, now the principal town of the Gambia, a British Colony on the North-west Coast of Africa. This trade in oak and walnut timbers continued almost uninterruptedly until the advent of iron ships, at which period the demand for Gambia timbers, which had been used for shipbuilding, became practically negligible. The principal and almost sole export of the Colony is now groundnuts, usually called peanuts in this country, and which are used extensively in the manufacture of cattle-foods and high-class candles and soaps.

The Gold Coast Colony, which together with Nigeria, is one of the most important of our Crown Colonies, had a very chequered career before finally settling down and commencing to add quite a worthy page to the history of the development of our Overseas possessions, a development which, so far as the Gold Coast is concerned, while as yet comparatively in its first flush, bids fair one day to make the colony of the greatest commercial importance. At the present time the Gold Coast is one of the largest cocoa growing centres in the world, contributing about one-third of the world's supply, and the quality of the output is improving.

Dutch, Portuguese, Germans, Danes, and Swedes have all, at one period or the other, made bids for the occupation of the Gold Coast. It was early in the eighteenth century, after the Germans

had left the country, that the British and Dutch were left on the Gold Coast. About this time the British Government commenced to grant charters to various companies. The practice, however, does not appear to have endured long, owing possibly to the chartered companies abusing their privileges. The British Government then reassumed control and meantime the Dutch, not having fostered trade, gradually lost their hold and finally withdrew from West Africa.

We have authoritative information that in the first part of the nineteenth century small sailing ships were dispatched to West Africa on commercial enterprises, and there can be no doubt that the early part of this period comprises the first stage of the West African trade as we know it to-day. In the early nineteenth century small sailing ships left Liverpool, London, and Glasgow, which at that time did a large trade with West Africa, loaded with all classes of goods of a suitable description with which to barter for produce.

Reaching some port on the West Coast, the captain would go ashore and make the best bargains he could, perhaps for two pieces of brightly coloured cottons he would receive a couple of tusks of ivory or a few bushels of palm kernels. When business became slow at a particular port he would set sail and, touching at some other point on the Coast, would continue thus until he had exchanged all his outward cargo into tropical produce, when he would return home.

Years passed, and the West African trade slowly evolved another period. The merchants who had been sending out their ships realised the possibility of having store ships permanently stationed on the Coast from which business could be carried on with the natives. Thus the sailing ships from this country need only take supplies of goods out to the store ships and load full homeward cargoes

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therefrom. Life aboard these store ships was, needless to say, very trying, but they housed the men who actually laid the foundations of our trade with Western Africa.

Nor was life to those aboard the sailing ships any too safe. An innocent trading clipper was often mistaken for a

to that particular section of the trade and no longer run their own ships. The principal West African shipowners to-day are Elder Dempster and Co., Ltd., who, of course, are exclusively engaged in the shipping business. This company, and indeed the West African trade as a whole, owes much to the foresight and unflagging



THE OFFICES OF ELDER DEMPSTER AND CO, LTD., AT FREETOWN, SIERRA LEONE

slave trader, and a British gunboat of those days always "asked questions afterwards."

As years passed and the store ships became unsafe and rotted away small sheds were erected on the beach in their stead, and the bartering of goods continued. It is this stage of the West African trade which we have reached to-day, for the bartering system still obtains on many parts of the coast.

Most of the West African merchant companies now confine their attention

energy of that great Imperialist, the late Sir Alfred Jones. In these days it is difficult to enter a port on the West Coast of Africa without finding at least one Elder Dempster ship there loading or discharging cargo. The company's connection with the West African trade can be traced back to about 1832, and during the long period of intervening years many changes have been wrought. It is probably safe to say that to-day the firm of Elder Dempster and Co., Ltd., bears a title which is synonymous with West Africa itself.

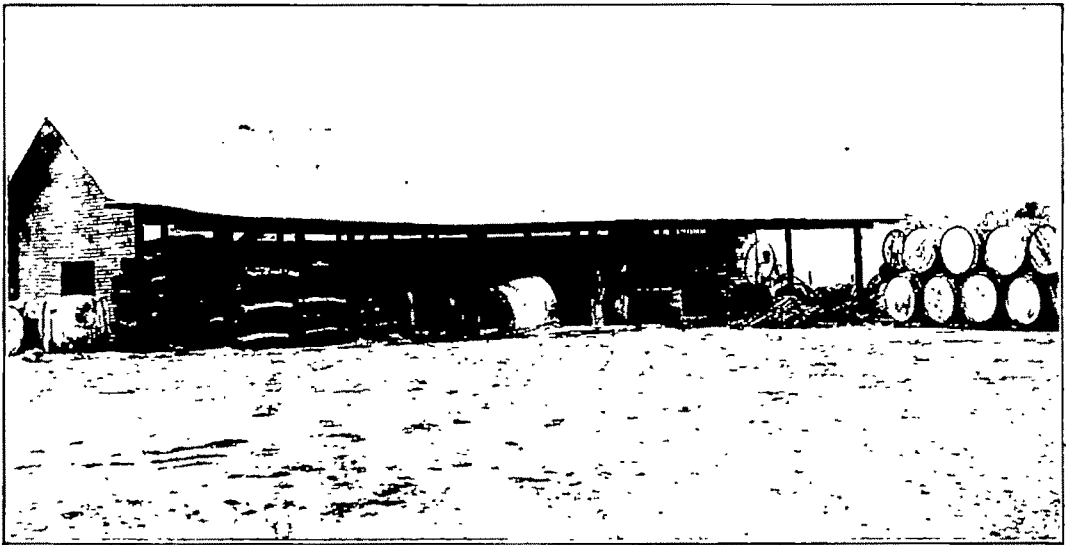
Methods of Trading

There are two sections in the West African trade: one by which the large merchants deal directly through their coast agencies with the native; and the indent business, through which channel quite an appreciable amount of trade is carried on.

One of the principal West African merchant houses is the African and Eastern Trade Corporation, Ltd., which until a

motor-car to a tin of sardines. Little or no bartering for produce takes place at these coast depots.

How then, it will be asked, is the produce obtained? As in olden days, all classes and description of goods, including cottons, salt, and spirits, are shipped out by these merchant houses to the coast agencies. The goods delivered to their stores at the coast towns are, of course, principally for sale for cash, while those



A TYPICAL WEST AFRICAN STORE SHOWING NATIVES ERECTING CASES

few years ago, when an amalgamation of a number of trading concerns took place, was known as the African Association, Ltd. Some of the larger of the British merchant houses on the West Coast include Niger Co., Ltd., John Holt & Co. (Liverpool), Ltd., Pickering & Berthoud, Ltd., Paterson Zochonis & Co., Ltd., H. B. W. Russell & Co., Ltd., G. B. Ollivant & Co., Ltd., and the Anglo-African Supply Co., Ltd. Most of these concerns have established agencies at the principal ports on the Coast and the up-country stations on that part of the Coast where they operate. From their stores at the coast towns one may purchase for cash practically anything from a

consignments which are sent to the up-country and river stations are mainly intended for barter.

The native brings his few puncheons of palm oil or his bag or two of kernels into the up-country trading stations and there exchanges them for whatever he requires. The trading agent knows the buying value of the produce and also the selling value of the goods in his store, thus he figures out that, say, ten pieces of cotton goods, six bottles of gin, and perhaps three bags of salt are an equitable exchange for two puncheons of oil, and if this suits the native the transaction is thus closed. Sometimes the actual mode of payment may change, the native may

ask for six pieces of cotton goods and the balance in cash. The proportions of exchange may be a little wide, but they will serve the purpose of demonstration.

When the West African "Rate of Exchange" Fluctuates

It will be appreciated that while the actual method of business may belong to a bygone era, the fluctuation of the produce market at home immediately reacts on the position on the Coast. A drop in the price of palm kernels on the European markets might compel the merchant houses to reduce the number of piece cottons usually given in exchange for, say, six bags of kernels.

It is on this particular point of economics that the West African merchant houses sometimes find themselves faced with a difficult problem. We have already said something of the temperament of the West African native, and the point under question is one which explains the position admirably. It is assumed that for some time the produce market has been steady in tone and that the "rate of exchange" in West Africa has been somewhere about ten pieces of cotton goods for four bags of kernels. A fall in the market compels the merchant houses to offer only eight pieces for four bags. Even in any part of the world such a state of affairs may cause a little good-humoured dissatisfaction from the customer, but eventually he would be forced by the sheer necessity of having to clothe or sustain himself to make the purchase.

But there is no such persuasion possible in dealing with the West African native. Much more often is his attitude one of passive resistance. He would rather not go to the trouble of preparing the oil and kernels than receive only eight pieces of cotton goods for his produce. And there is no economic law which could compel him to act otherwise, for he could exist very well on the fruits on the land about

him without the necessity of recourse to the trading agent.

The Native Attitude

At various times attempts have been made by companies to take concessions on areas of palm-bearing country. The idea was that the natives living on the land would bring in to a central depot the produce which they collected thereon. Almost without exception, these ventures came to naught, despite the inducements held out by some of the concessioning companies to the natives living on the land. In some instances the companies went so far as to construct huts, but it was all of no avail, and the natives just moved off to another part of the country.

This is the state of affairs which sometimes comes and, happily, goes in the West African trade. The native agriculturist upon whom the world is principally reliant for its tropical produce knows what he has been getting and what he has been used to, and he strongly opposes any suggestion to surround him with changed conditions, and evolution in West Africa, as in the world over, is a slow process. He may take a liking to a particular brand of soap, merely by the brilliantly painted trade-mark on the box, and thereafter the trading agent who can persuade him to take another brand of soap is well—"worth his weight in gold."

Of late years the middleman has crept into the bartering of produce. Sometimes the native, who actually prepares the oil and kernels does not come to the trading station, but disposes of his produce to a middleman who is, of course, a native, and who in turn drives the best bargain he can with the trading agent.

Indent Business

The indent business is not a monopoly of the West African trade, and is, in fact, carried on in trade with many parts of the world.

The West African shipper who conducts an indent business commences by circularising a number of native traders on the Coast. It is a matter of common knowledge that most native traders courteously reply to all such circulars and incidentally request the pleasure of

documents through one or other of the West African banks. At the West African port concerned the native trader may take delivery of the B/L from the bank's agency thereat on payment of the balance due, and obtain his goods.

The indent business is one capable of



COCOA SHEDS, ACCRA, GOLD COAST

a trial shipment but, unfortunately, they omit to forward any deposits.

The indent trader usually stipulates that no order will be executed unless accompanied by a deposit of, perhaps, 33½ per cent. Traders home here are, quite rightly, becoming much more stringent in their demand for ample deposits before shipment. Provided the deposits are paid, the indent trader then arranges the shipment of the goods, and after drawing the Bs/L, he places the

furnishing a thoroughly sound and prosperous undertaking for the small man, provided that he conducts his business with caution and reserve. It is never advisable to have too many goods afloat on the one account and on which money is still outstanding, and under no circumstances should indents be executed unless accompanied by ample remittances. Sometimes a native trader will consign a small parcel of produce to an indent merchant in this country, and in turn request that

certain goods should be shipped out to him. The indent merchant must, in these circumstances, realise the produce to the best advantage, and thus recoup the cost of the goods which he has shipped.

Some years ago, when the indent trader was perhaps less suspecting, many indents were executed on behalf of a number of native traders at a particular port, even though the deposits thereon were not large. The majority of the traders did not take up their goods on the Coast, and for some time the shipments were left in store. Finally, it was decided to auction them, but the native traders had worked it all out very well. It was only they who did any bidding at the auction, and they were able to buy in the goods which had been shipped to them for less than 40 per cent of their real value. Litigation in West Africa is an expensive item to the indent trader.

The service rendered by the Bank of British West Africa and the Colonial Bank, which are either established or have agencies at all the principal West Coast ports and towns, has been of inestimable value, and has done much to facilitate trade with West Africa.

The Uses of West African Produce

Palm oil and kernels are an export common to practically the whole of West and South-west Africa. Nigeria is the principal British Colony to export them, whilst Sierra Leone is also of fair importance in this connection. Freetown, the principal port of Sierra Leone, is an important port of call for most West African vessels by reason of its coaling station. Palm oil is extensively used in the manufacture of household soaps, and is also necessary at one stage in the manufacture of tin-plate. The mention of the export of palm produce from South-west Africa will always bring to mind the great work of Lord Leverhulme personally, and Lever Brothers, Limited,

in developing the great palm-bearing belts of the Congo regions.

Palm kernels have, perhaps, a somewhat wider use, for they are principally necessary to the manufacture of margarine, patent cattle-foods, and other similar industries. Prior to the War, Germany took practically the whole of West Africa's output of palm kernels. At the outbreak of hostilities a collapse in this section of the West African trade seemed possible, but the seed-crushers around the port of Hull and in other parts of the country came to the rescue with a business acumen that was particularly noteworthy, and the passing of the Continental markets was practically unnoticed.

It is at present a little premature to speculate upon the future of the Continent as a market for palm kernels, and Liverpool remains undisputably the hub round which the West African trade revolves.

America has of late years come into the market for increasing amounts of Gold Coast cocoa, and quite a large business is carried on from America to the Coast in lamp oil and tinned foods. The War did much to foster this latter trade owing to the difficulty of sending supplies from this country. The quality of the cocoa from the Gold Coast is, as has already been mentioned, improving yearly. The improvement is no doubt due to the assistance rendered by the Gold Coast Government to the native growers, and also owing to the inauguration of the grading system in buying the cocoa bean. At Coomassie, one of the principal up-country trading stations, a small cocoa exchange is already in being. When the beans are brought in for sale they are graded according to quality, and the native is gradually realising that there is some material gain in his devoting more care to the cultivation of his crops.

Of the other exports from West Africa may be mentioned copra (dried coconut) and hides from Nigeria and Sierra Leone,

produce, and the present state of Europe must inevitably have its effects on the West African trade as a whole for some time to come.



PAY DAY AT BRIGIDA COPRA PLANTATION, TOGOLAND

while cotton growing is giving every promise in the former colony.

Most of the produce from West Africa is disposed of through produce brokers, a large number of whom are to be found in Liverpool.

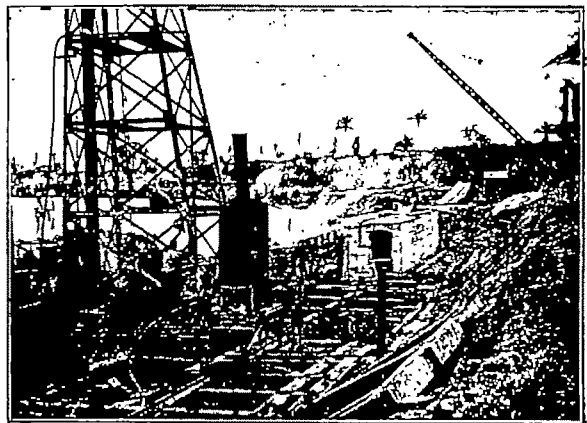
Comparatively a few years ago, large deposits of manganese ore were discovered on the Gold Coast near to the existing gold mines, and the ore is said to be of good quality and capable of competing with that from any part of the world. Tin ore is also worked on the Gold Coast and in Nigeria, while the discovery of coal at Udi, Nigeria, as late as 1912, created the necessity for the now up-to-date town of Port Harcourt.

Future of West African Trade

It is accepted that the natural wealth of West Africa is as yet practically untouched. The raw materials which it is giving to the world are daily becoming of greater necessity. There can be little doubt that it is not so much a question as to the limits of West Africa as to the limits of the markets in other parts of the world to take its

There is every assurance, however, that the demand for West Africa's raw materials will continue to appreciate, and because of this West Africa still offers sound possibilities to those who are prepared to move with caution and realise the truth of what has often been said, "that the West African trade is a trade unto itself."

West Africa also offers unique opportunities to young men of the right type. Those who are well endowed physically and possess the "get on" spirit will find that promotion comes quickly. Long ago the fantasy of "a white man's grave" was exploded, and to any man of ordinarily good health, conditions of employment in West Africa will not be found uncongenial. The terms of service are not



QUAY WALL UNDER CONSTRUCTION AT PORT HARCOURT, NIGERIA

unduly long, while there is a good compensating period of leave at the end of each tour.

Commercially, West Africa is undoubtedly destined to loom large in the future.

Finance for Business Men

By OUR FINANCIAL EDITOR

Financial developments of the month and their bearing on industry are lucidly discussed by our contributor, whose pointed comments on Budget finance, the ethics of the combine, the effect of the policy of safeguarding British industries, and the rise in sterling will repay careful attention.

Past and Future

WITH the Budget out of the way and a fresh financial year entered upon, a retrospective glance at some of the country's financial accomplishments prior to April last shows that far more has actually been done than even our optimists would have allowed for. Although the pessimists again seem fairly prevalent in many quarters, yet there is no reason why they should not once more prove themselves inaccurate as prophets concerning the country's future. Who would have said in March, 1922, that the subsequent end of the financial year would show a surplus of some £101,000,000 and the maintaining of the sinking funds, when it had been fully anticipated that borrowing would have been necessary in order to provide the twenty odd millions or so required? Both in the total of debt and in the floating debt have substantial reductions been made, and considerable amounts of short-time obligations, that cannot be said to contribute towards stability in so far as the money market is concerned, have been got out of the way. All debts within the Empire have been arranged for; a certain if not over-extensive encouragement has been given to trade in the shape of reductions in income tax and in Corporations profit tax, and money for the sinking funds have been estimated for—and all this on the strength of the financial, or rather economic, fight put up in what, after all, was substantially a year of depression in spite of some reaction from the lowest point of the never-to-be-forgotten, shall we say, "episode" of 1921.

The Two Paths in Budget Finance

One could argue for many hours on the relative merits of the two outstanding courses that might be followed in budgetary

finance, i.e. whether it will pay us better to tie ourselves down to a hard and fast realisation of the cold facts of the enormous debt and its responsibilities under which the country labours and the making of adequate arrangements to meet those responsibilities, or whether trade by being given every possible inducement to forge ahead will not the more rapidly, by expansion and the accumulation of surplus profits, attain the objective of relieving us from our vast burden of debt. The method actually adopted in respect of the current financial year, as per the estimates, suggests that a middle course has been favoured.

The restrictions to which we are being committed are, after all, thoroughly in keeping with a high standard of international morality, and that in the midst of a veritable morass of financial immorality if we look a little abroad. As British trade and British prestige has been built up and maintained on such a standard as that to which we appear committed, it is perhaps easier for us to continue in the chosen path than for certain other countries to adopt it, and it would seem exceedingly obvious, if we think about it, that we shall not be the losers in the end.

The Speculative Combine

The legitimate combine for the purpose of financing stocks in order that they may not smash the market by being thrown thereon regardless of its power to absorb them, and the combine for industrial development are one thing; the sugar "corner" which has been so much under discussion for the past few weeks appear to be something of a very different nature? We seem to remember, about two years ago, vast stocks of Cuban sugar unsaleable at ros. 6d. a cwt.

and now, at the time of writing, the price has increased threefold. Memory also brings back a notice in one of the financial journals to the effect that the Cuban authorities were seriously considering a proposal to "denature" the vast stocks of sugar. The word is presumed to mean some form of destruction—suggestive of the course followed in the Argentine and in other places about the same time of burning wool stocks. The immorality of such a course would, indeed, have been flagrant, with consumers in every part of the world anxiously requiring a commodity of such important nutritive qualities as sugar. The next heard was that American financiers had "financed" the stocks and the current crop—doubtless at extreme bottom, or knock-out prices. In result this means that stocks were "held"; consumption, particularly in America, which could afford to pay for luxuries, has expanded, coming crops have doubtless been fixed up by the same agency, and the screw is being applied in order that, as usual, the consumer shall pay. Proposed action by the American authorities to suppress dealings in sugar futures and generally to enact restrictions in speculation in this most valuable commodity, is hardly likely to be effective judging from the difficulty hitherto experienced by America in dealing with her trusts and combines where over-exploitation of the public has become obvious. Instead of—to cite a parallelism—one huge and actual oil combine trading under one name as an open factor of control, you have the same combine split up into units with a perfect understanding between them and controlling production and costs—as these factors were controlled during the war by understandings between the Government of this country and the various associations by which branches of industry were unified. Political moves against a powerful combine would appear made substantially in the interests of the "speculators," who probably make more out of discounting fluctuations than they would by a continued rise in values.

A Pertinent Question

It is sugar now, it will be cotton shortly,

and in a years' time it may be the most essential of all commodities—wheat; and the moot point is do the British people, as an industrial nation, recover from these raids on their consuming power the due proportion of profit from the increased purchasing power annexed by the raiders? Or would it pay the nation better to develop the Empire's potentialities in regard to the production of essentials and thus build up a counteracting influence against the "corner" in vital commodities? The economist tells us all factors such as these adjust themselves in the great internationalism of trade and finance. The ordinary man in the street, on the other hand, is inclined to look at matters from a more personal and less detached point of view.

Safeguarding British Industries : Some Results of the Policy

It would be highly interesting were it possible to ascertain the precise measure of benefit, if any, accruing to trade through the medium of the Safeguarding of Industries Act. From the study of observations in the Press neither protectionist nor free-trade has, or it may be had, a good word to say for this "orphan" of the late Government. *The Board of Trade Journal*, which might be said to be the most substantially interested in the measure is, in its non-critical sphere, above the process of vindication if tangible results have accrued. Therefore one is reduced to speculating and to the attempt to draw deductions from the comparative financial positions of companies now and, let us say, a couple of years or so back. The chemical trade appears typical, and the United Alkali Company typical of that particular trade. In this connection rather a suggestive fact protrudes itself, viz. that the ordinary shares of this company a couple of years back, or thereabouts, were in the neighbourhood of 11s. ; they are now £2½; a dividend of 2s. per share was declared at the meeting in April last, and £350,000 added to reserve. The United Alkali Company was one of those companies producing commodities essential to the cause of war, and therefore was practically forced to spend heavily on capital account and,

of course, as with most war-time companies, much of the capital so expended became unproductive as soon as the foreigner entered once more into active competition in the chemical industry. In applying the term "war-time company" to this undertaking, war-time profits are meant, as the company was established some years before the war and had, indeed, a somewhat chequered career; although the big sums expended on research and the like eventually became productive. Another interesting fact not irrelevant to our inquiry that was elicited at the meeting was that something like 80 per cent of dyes used in England prior to the war were imported, and that over 80 per cent were now manufactured here. Is not some credit for such a reversal of trading conditions in regard to that particular commodity due to the much-abused measure launched so misgivingly against the interests of the foreign importer? If so, but little is heard of it; but the coincidence of rising values and increasing home-consumption is suggestive. Incidentally, it would not be difficult to point to a number of companies dealing in commodities that come under the Bill which have made recoveries from a rather hopeless state, and—with all due apologies to the free-trader—we are merely seeking information?

The "Rise" in Sterling: Its Significance

When we speak of the appreciation of sterling in terms of the dollar, what is really meant is that the dollar, compared with its former state of purchasing power, has depreciated; for whereas price-levels during the war were higher in England than in the United States the position is now reversed. The inference is that from the trading point of view, or the surplus profit interest, England is getting more of the world's trade comparatively than America; that is to say, that America has not maintained the rate of trading expansion she reached during the war, and that we are rapidly recovering foreign markets practically lost to us by the fact of the war. The United States' balance of favourable trade in 1920 was only some \$50,000,000 short of \$3,000,000,000;

for eleven-twelfths of 1922 it had declined in round figures to \$669,000,000, and this amount is probably wiped out by foreign investment. If, then, American prices have so advanced as to have so appreciably depreciated the purchasing power of the dollar, it is suggested that the continually increasing stock of gold in that country is being used as a basis of expanding credit: in other words that inflation is again on the way and the old, old story of spending more than selling is repeating itself. If such is the case it would appear eminently healthy for this highly prosperous nation were it able to "borrow" from us a portion of our stabilising debt and its burden of responsibilities; but this type of loan is not known in international financial circles, and America must continue to take from us what she does not want and what will in the future, if results be not anticipated and discounted, give an infinity of trouble and some discomfort in the mere fact of taking.

An Overdue Remission

Surely, some portion of the cost of the stamp duty on registered stocks should now be remitted? Where the duty was formerly $\frac{1}{2}$ per cent it is now and has been for some time 1 per cent. The duty on foreign bearer securities has likewise for over two years been increased from 1 to 2 per cent. The purpose of the increased duties to produce proportionately augmented revenue has failed; from which it would appear that the purchasing power of the people is not up to the standard of the impost. The business involved in transferring securities has fallen off, and the inference therefore is that a lightening of the duty would lead to a substantially increasing number of transfers, which in turn would aid in narrowing prices and both the stock-broker and the investor would benefit. The Inland Revenue authorities would not be the losers, and, indeed, should gain in the gradually increasing number of bargains done for the account. Particularly is this argument relative to the high-priced share; for what with a commission of qd. or rs. a share and a 1 per cent stamp duty the taking of a small profit on a large line is ruled out.

Reviews of Business Books

National Association of Cost Accountants' Year Book

The National Association of Cost Accountants, 130 West 42nd Street, New York, with its 3,000 members in America, Canada, and throughout the world acts as a clearing house for the collection and dissemination of cost information and in a large way is spreading the gospel of business control through accurate cost data. It has just issued its 1922 *Year Book* of 452 pages, which contains a complete report of the proceedings of the Third International Cost Conference held at Atlantic City, N.J., 23rd, 25th, 26th, 27th, 28th September, 1922.

The book is full of practical information of great value to cost accountants. Some of the most important cost and managerial problems confronting business men were discussed thoroughly at the conference by the leading cost accountants of America, and their papers and observations are here given *verbatim*. Among these problems are the following: Should inventories be valued at actual cost or replacement cost? Should material be charged at cost or market value? How should selling and administrative costs be recorded, and the high cost of distribution reduced? How can standards of various kinds be established? How should budgets be constructed and used? How may costs be used by management in formulating and carrying out business policies? Costing is a highly specialised science in America, and obviously the material contained in this volume makes it an important contribution to cost literature. The price to non-members of the Association is three dollars per copy.

Economics for Commercial Students

By ALBERT CREW, *Barrister-at-Law*, assisted by JOHN SWAIN, B.Sc. (Econ.), Lond., and LAURENCE ASHMORE, M.Com. London: Jordan & Sons, Ltd. 5s. net. Cloth gilt, 384 pp.

Attention has already been called here to the merits of this admirable work as a guide to the study of economics. The publication of a fifth edition shows that these merits are widely appreciated. The special features of the new edition are a note on "The Theory of Value," together with the examination questions set in 1922 at the various professional and public examinations. While

economics will never be an exact science, exactitude of expression is nowhere else so important to the student. If this work does not advance the frontiers of economic knowledge, at least it defines them with the greatest clearness.

Foreign Exchange and Foreign Bills

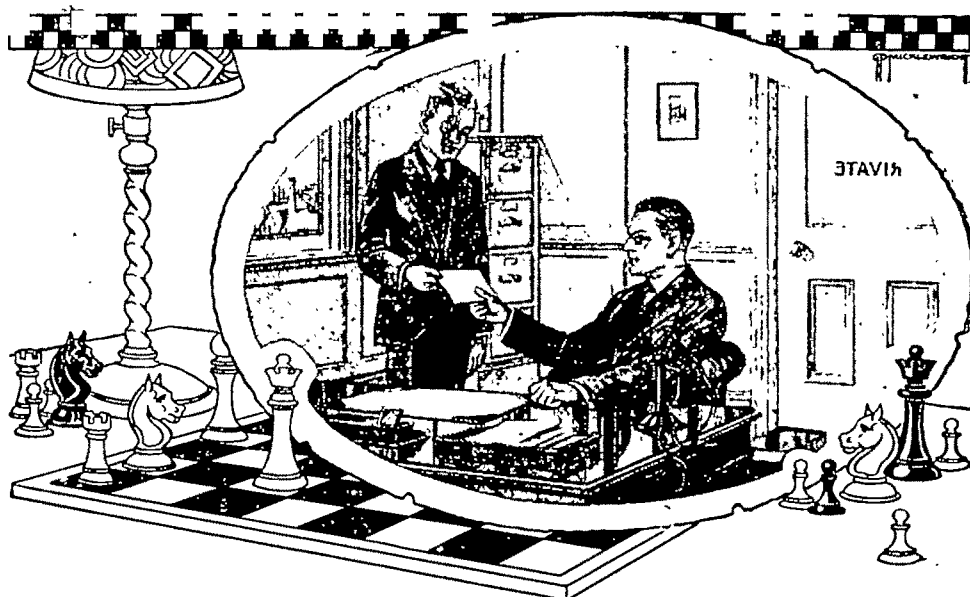
In Theory and Practice. By WILLIAM F. SPALDING, Cert.A.I.B., F.R.Econ.S. Fifth Edition. Price 7s. 6d. net. London: Sir Isaac Pitman & Sons, Ltd.

Considerable new material appears in the fifth edition of this authoritative work. A new chapter has been added dealing with "Post-War Rates of Exchange"; the alterations in the method of quoting exchanges are fully explained; the new European exchanges are given; and other important developments receive attention. The special qualities of Mr. Spalding's work are the clearness and simplicity of its explanations, the number of illustrations it contains drawn from practical experience, and the interest with which he invests a subject hitherto regarded as attractive only to the financial expert. These account for the great popularity of a book which bids fair to become a classic in its special field.

The Secretary's Manual

on the Law and Practice of Joint Stock Companies (with forms and precedents). By T. E. HAYDON, M.A., and JAMES FITZPATRICK, F.C.A. Price 7s. 6d. net. London: Jordan & Sons, Ltd.

This standard authority, indispensable to the secretary of a public company and to students preparing for the secretarial profession, has now reached its 18th edition. It has been thoroughly revised and brought up to date. While there have been no changes in statutory law affecting its contents since the previous issue, recent decisions of importance to secretaries have been noted. The work is so well known that beyond stating that it forms an invaluable guide, particularly in regard to the legal and accountancy matters which come within the province of company secretaries, no other recommendation is needed.



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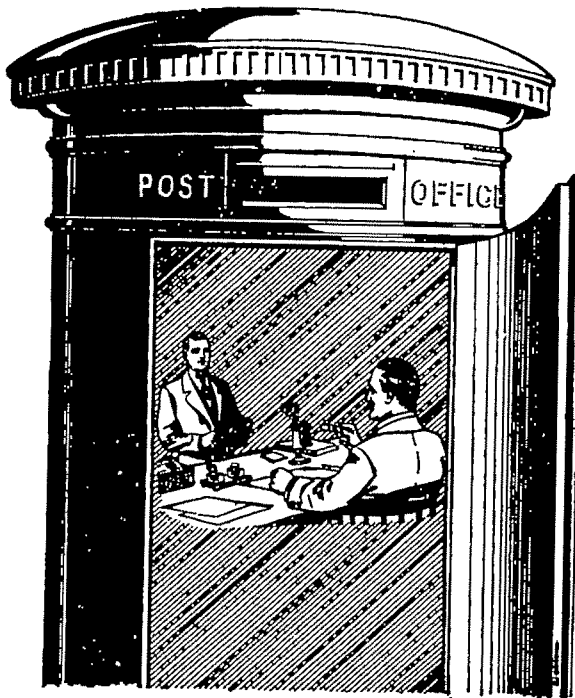


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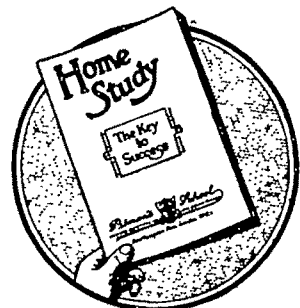
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Publishers

Registration

116 to 118 Chancery Lane
London - - W.C.2

Telephone:
HOLBORN 434
(Two Lines)

Printers

Agents

City Branch: 18 Broad Street Place, E.C.2 L. WALL 2798

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Vol. VIII.

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No. 4

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Notes and News

Next Year's World Advertising Congress

THE unanimous decision of the World Advertising Clubs of America to hold their 1924 Congress at the British Empire Exhibition is an event of considerable importance to this country and represents a triumph for the Thirty Club. Incidentally, it confirms the confident forecast made by Sir Charles Higham in our May issue.

* *

The New Wayzgoose

An aerial trip to Paris was arranged for the annual outing of the departmental managers and other administrative employees of Messrs. W. & T. Avery, of Birmingham, the weighing machine manufacturers. Two special 14-seater Handley-Page machines were booked to make the trip on the 23rd June, returning late in the afternoon of the following day.

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Insurance Brokers' Commission

The annual gathering in London of the members of the rapidly growing Corporation of Insurance Brokers whose ramifications extend over the whole of the United Kingdom, took place recently under the Presidency of Sir Ernest Bain, K.B.E. These are not easy times for Insurance Brokers in view of the desire of the great companies to reduce their rates of commission, and of an unfortunate remark made in public by Lord Claud Hamilton, the chairman of the Employers' Liability Company, who said at his shareholders' annual meeting that they were paying out in commission 22 per cent of their annual income. Naturally the publicity occasioned by this statement coming from so distinguished a chairman put the public on enquiry. In fact, the maximum commission payable in this country on fire and general business is from 10 per cent to 15 per cent. But it has taken the brokers some time to explain the contradiction, and that they have to maintain their offices and staff and render important services to the insured for so small an amount when Lord Claud suggested that brokers receive nearly twice as much.

* * *

Premium Rates in America

- The explanation is that the business of Lord Claud Hamilton's Company is largely carried on in the United States where, owing to the vast distances and heavy expenses, and the competition of the American Companies, different conditions exist. But over there the premium rates are relatively higher and calculated to cover the additional expense. In any case people must not imagine that the 10 per cent or 15 per cent commission is net to the broker. His expenses are a very heavy item and have to be deducted before he gets anything.

The F.B.I.'s Insurance Department

The Corporation of Insurance Brokers have broken a lance with the Federation of British Industries over the latter's insurance activities. According to the annual report of the Council, it was found that the F.B.I., although the rules prohibited trading, was conducting an Insurance Department which was sometimes in competition with Insurance Brokers. When the Council learned that a Royal Charter was being applied for by the Federation it was decided to petition against it, unless the Federation agreed to cease trading as insurance brokers or agents by placing insurances on commission. In this action the Council received the support of the London Chamber of Commerce. The matter was finally referred to the Law Officers of the Crown, who advised the Privy Council to the effect that while under the proposed charter there was nothing to prevent the Federation acting as the agents of their members in placing insurances, they could not act as brokers who receive commission from insurers nor could they be appointed agents of insurers and receive commission.

Meantime the Federation have been granted their Royal Charter, and it is not without interest to note that the Corporation have now themselves decided to apply for one, and resolutions to give effect to this intention were passed at the annual meeting.

* * *

British Secrecy and American Expansiveness

Organisation of various trades is much more common in the United States than here. These organisations across the water seek for and secure much more publicity than similar institutions do on this side. The American papers in the summer season are full of reports of Congresses of different kinds, whereat papers relating to the trade in question

are read and discussed, and the various members interchange experiences to their mutual benefit. Are we in this country too secretive about our doings? Would trade develop more quickly if we gave away our ideas more freely? Unfortunately these questions are never likely to be tested because qualities are ingrained and tradition is all powerful in the subconscious Ego of which the psychoanalysts talk so much. We are against talking about our troubles both by inheritance and by constitution, and we shall remain so until the end of the chapter.

* *

The Future of British Industry

Sir E. Mackay Edgar has a well-founded reputation for successful prophecy in the field of industrial economics, so that when he commits himself

to a definite opinion most business men believe that there is usually sound reasoning behind it. In his capacity of chairman of Crosses and Winkworth Consolidated Mills, Ltd., he has consistently favoured a policy of extension by amalgamation until the company is now one of the largest textile combinations in existence. At the annual meeting, at which further acquisitions were reported, he made no secret of his belief that the future of British industry depends more and more upon the creation of big manufacturing units capable of the largest scale production.

Will Isolated Manufacturing Plants be Superseded?

Sir Edward Mackay Edgar explained that the policy of Crosses and Winkworth in the fine spinning trade in Lancashire was similar to that recently carried out in the banking and financial worlds.

The company's acquisitions had conformed to a general plan by which Crosses and Winkworth act as a parent company, owning the properties, controlling their business and financial operations, receiving their profits, and guaranteeing the interest and sinking fund on their Debentures. With these new acquisitions the company established profit-earning machines, and at the same time laid the foundations of a future capital asset for the parent concern. Sir Edward said:

Although we are now a very large textile amalgamation, I am no worshipper of mere size. Bigness by itself does not denote efficiency, but efficiency almost invariably runs to bigness. That I believe to be a lesson that most British businesses have to learn. One definite trouble with our industries is that they have been conducted on too small a scale. The minute isolated manufacturing plant, which is still the type of British industrialism, will have to be superseded here, as it long has been in Germany and the United States, if we in these islands are to hold our own. That is true of British industry as a whole. It is also, in my judgment, at least equally true of the textile industry in particular.

* *

Trend of Economic Power

The financial policy to which Sir



Photo

Elliott & Fry

SIR JAMES KEMNAL

(Managing Director, Messrs. Babcock & Wilcox, Ltd.)

Who has been re-elected President of the British and Latin-American Chamber of Commerce for the next two years.

Edward Mackay Edgar calls attention is known to be in operation, in greater or less degree, in most of our large industries, and it is destined to have a very profound effect upon the lives of the next generation. When it is fully developed tremendous economic power will be vested in the hands of industrial magnates, who will then wield an authority far greater in proportion than even that formerly exercised by the lords of feudalism.

* *

Interlocking Directorships in British Shipping

How economic power tends to become concentrated nowadays in comparatively few hands is also clearly shown by a writer in the *Marine Review*, an American magazine quoted by the *Times*, who describes how the system of interlocking directorships operates in British business. He quotes the names of 25 directors of British shipping companies, and shows that they are members of the boards of no fewer than 48 steamship companies and of 128 other companies, including 4 leading railway companies, 20 banks and trust companies, 24 insurance companies, 36 mercantile and trading concerns, and 44 manufacturing and industrial establishments. The author seeks to make clear that British shipping lines are "not isolated threads of communication competing for business with all companies," and asserts that each of the big steamship companies obtains heavy traffic through its affiliations with other lines of business, and this control, he maintains, is "effected by an unusually complete system of interlocking directors."

* *

Growth of Industrial Combination

British commercial genius in applying the doctrine of "mutuality" to such perfection is handsomely acknowledged,

and the writer argues that American shipping will only become powerful when, and not until, it also establishes similar connections in commerce, finance, and production. He complains that American shippers are handicapped in developing proper traffic connections by the Sherman Anti-Trust Act, and by the cavilling attitude of Congress towards important business enterprises, and adds that the Edge Act, though it offers some relief, "by no means permits the thorough interlocking of mutual interests, which has been developed in Great Britain under conditions where private enterprise is untrammelled."

It will come as a surprise to most people to realise that the American Government has found it necessary to prohibit, presumably in the interests of the community, forms of industrial combination which are evidently perfectly legitimate in this country. The fact suggests that while it is undeniable that big industrial units can compete more successfully in world markets than smaller isolated types, even of the highest efficiency, and are therefore likely to increase, their power is too great to be wielded arbitrarily, and a measure of Government control is essential. We are likely to become very familiar with legislation of this character in the future.

* *

Vickers' Unique Event

The head office staff of Vickers, Ltd., sprang a pleasant surprise upon the directors of the firm the other day by inviting them to dinner, thus reversing the usual order of things. The gathering took place at the Holborn Restaurant on 1st June, and was described by Mr. Douglas Vickers, chairman of the Board, as unique in the industrial world. Mr. A. Peaks, chief commissioner at Vickers House, presided and proposed "Our guests, the directors." In responding,

Mr. Douglas Vickers said the invitation to the dinner came as a great surprise, and the directors appreciated it very much. One of the characteristics of the firm was the family attachment that existed between the directors and the employees. "The firm" was proposed by Mr. G. Shields, who has been in the company's service for 35 years, and was acknowledged by Sir Trevor Dawson.

* *

Advertising by Accountants

Attention has frequently been drawn at meetings of the professional societies to the increasing competition to which accountants are now subjected, and the question has consequently arisen as to whether the present stringent regulations against advertising could not with advantage be somewhat relaxed. The official attitude is strongly against any concession, but many individual members believe that a limited amount of advertising by the societies would be very beneficial.

* *

American Practice

It is of interest to note that the American Institute of Accountants has adopted the following rule on the question of advertising by its members :

No member or associate of the Institute shall advertise his or her professional attainments or services through the mails, in the public prints, or by other written word ; but any member or associate may cause to be published in the

public prints or otherwise what is technically known as a "card." A card is hereby defined as an advertisement of the name, title (member of American Institute of Accountants, C.P.A., or other professional affiliation or designation), and address of the advertiser without further qualifying words or letters ; or in the case of announcements of change of address or personnel of firm the plain statement of the fact for the publication of which the announcement purports to be made. Cards permitted by this rule when appearing in newspapers shall not

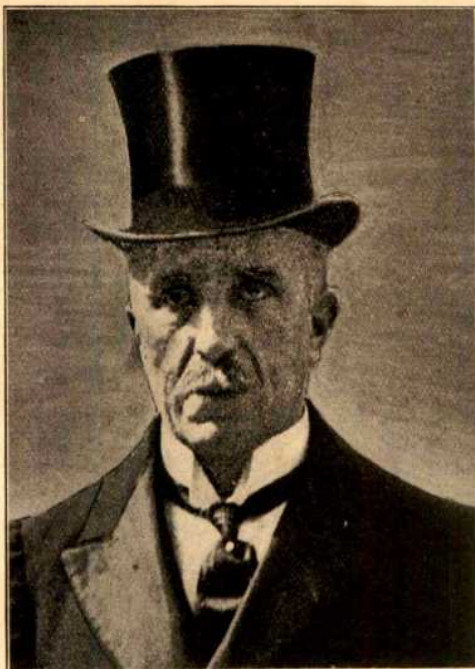
exceed two columns in width and three inches in depth ; when appearing in magazines, directories and similar publications, cards shall not exceed one-quarter page in size. This rule shall not be construed to inhibit the proper and professional dissemination of impersonal information among a member's own clients or personal associates, or the properly restricted circulation of firm bulletins containing staff personnel and professional information.

* *

The New India

It would be folly for British business men to ignore the striking developments which are taking place in Indian banking ; they are of

great importance and certain to have a considerable effect upon British trade with India within the next few years. The War gave a big impetus to the industrial development of India. Moreover, the liberal policy consistently pursued by the British Government in encouraging Indian local government, side by side with the powerful native movement in favour of "India for the Indians," with its insistence on the need for supporting home industries, have contributed to the emergence of what is, in effect, almost a new India, as to which



Photo

Photopress

MR. DOUGLAS VICKERS, M.P.

considerable readjustment of view in this country will be essential.

* *

Rise of Industrial Banks

The effects of these various factors on the Indian banking system are now becoming apparent. We gather from an informative paper contributed by Mr. B. Rama Chandra Rau, M.A. (an eminent Indian economist), to the recent Indian Economic Conference that attempts are being made to remodel Indian banking structure closely on the lines of the Federal Reserve system of America. Decentralised banking has been discarded in favour of the centralised banking system. The creation of the Imperial Bank of India has provided a "banker's bank" capable of rendering help to all sound banks in any temporary stress

and acting as the handmaid of Indian trade and industry. Joint-stock banks which emerged unscathed from the crisis of 1913-15 are increasing their capital and expanding their activities into newer fields, while the policy of keeping an open door in banking has led to the establishment of powerful foreign banks. A new type of banking institution, i.e. the Industrial Bank has been established, several banks professing industrial financing as their avowed object having been started during the last few years. The Tata Industrial Bank was the pioneer in this direction, but there are now some 15 industrial banks operating in various parts of India. There is evidently keen competition for Indian banking business and, consequently, no lack of credit accommodation for genuine trade requirements.



Photo

Elliott & Fry

SIR JULIAN ORDE

Who has retired from the Secretaryship of the Royal Automobile Club through ill-health. Largely through his personality and organising ability the club which, on his appointment in 1903, had 1,600 members and an income of £1,000, now boasts a membership of 16,000 and an income of £108,000.



Photo

Elliott & Fry

MR. GEORGE W. PATON

(Managing Director of Messrs. Bryant & May, Ltd.)

The company's offices and works were closed on 1st and 2nd June, the employees being entertained at Blackpool, in celebration of the twenty-fifth anniversary of Mr. Paton's entry into the business.

Empire Trade Federation

By E. W. PETTER

*President of the British Engineers' Association; Chairman, Petters, Ltd.;
Managing Director, Vickers-Petters, Ltd.*

Outspoken criticism of America's astonishing trade policy is expressed in this important article, which will undoubtedly arouse controversy. Mr. Petter, one of the leaders of the British engineering industry, points out that while practically closing her own doors to European goods, America is flooding world markets with her manufactures. Of her total exports, 40 per cent in value go to this country and the Dominions, and he strongly urges that until America withdraws her virtual prohibition of imports retaliatory tariffs should be raised against her by the British Empire.

"AND POLICY REGAINED WHAT ARMS HAD LOST."—*Byron*

NEARLY nine years have passed since the great upheaval of 1914, and there have been more months since the war than in its duration. It is time to take stock of ourselves in order to see whether we are on the right road to the city of Prosperity to which we are all hoping to find our way. There are signs that some of the ravages of war are being steadily repaired. On the other hand, there are indications of such permanent changes in the world brought about by the cataclysm that we need to consider very carefully their effect and mould our policy to meet the altered conditions that confront us.

In this article I propose to consider the question from the point of view of Trade, and more particularly from that of employment for our people, and the production and marketing of commodities to be exchanged for necessities without which we cannot exist.

Although we are facing problems which are new and such as our forerunners had not had to meet; that is not to say that we should ignore the lessons of the past or that we should scrap any policy until we have satisfied ourselves beyond the risk of doubt that our altered conditions necessitate changes.

A Retrospective Survey

During the Victorian era we built up

by means of the pre-eminent position which we had attained in the world of manufacture and the demand for our products from all portions of the globe a vast population, looking for its means of livelihood not from the mother soil but from overseas; and although our immediate ancestors of the Victorian era were probably much more regular in their petitions for their daily bread than are we in this material age, in fact they had infinitely less cause for anxiety in view of their vast resources of wealth abroad which ensured supplies coming to them, and in view of the heavily laden ships which daily left our shores carrying supplies of manufactured goods in return for the food and luxuries which poured into our ports.

All this tended to hide from their eyes the fact, nevertheless true, that the huge population they were building up was subsisting on what, to all intents and purposes, is a desert island, judged by its ability to provide the necessities of life for its population, and that any prolonged interruption of the delivery of those supplies, whether caused by war or by the failure of sufficient interest to send them, would very quickly produce disaster.

Considered historically, it is very difficult to find fault with the economic policy which this country adopted in 1846,

and which led to such vast increases in wealth and population and in the standard of life of the masses of our people.

Trade Conditions of the Past

England, the only manufacturing country with power to export in any quantity, the mother country of a vast and growing Colonial Empire, without fear that her markets could be flooded by foreign manufactures, told her own Dominions and the world to send her their surplus food and raw materials, and undertook to send them in exchange, in unlimited quantities, the manufactured articles of which they stood in need.

Believing in free trade, we invited the world to follow our example and throw open its markets, so that the free exchange of commodities might unite peoples otherwise separated by history and tradition, and the sponsors of our policy firmly believed that the invitation would be accepted and that universal embracement of free trade would usher in the era of perpetual peace to a world distracted by hundreds of years of bitter warfare.

Free Trade v. Nationalism

But, unfortunately, and let it be said so with frankness, the cosmopolitanism of free trade was in conflict with an instinct too deeply rooted in human nature to yield even to the attractions of a millennium.

Nationalism is as sincere a loyalty in the human breast as is the family instinct, *Deus et mea Patria*, a motto which takes little account of what god is worshipped or what country is thought of so long as they are *mine*.

Nor did the British policy of 1846 appeal to the world as a policy of altruism. In the first instance it was applied for remedial purposes to deal with very serious troubles from which we were at the time suffering, while its adverse effect upon them was soon felt in all countries struggling in furtherance of their national

instinct to raise themselves out of a pastoral condition to the higher forms of life offered by the practice of science and the development of manufactures. Although reviewing thirty-five years of free trade in 1880, Mr. Gladstone spoke in terms of highest eulogy of that policy and stated that "under this code, our race, restored to freedom in mind and hand, and braced by the powerful stimulus of open competition with the world, has upon the whole surpassed itself and every other, and has won for itself a commercial primacy more evident, more comprehensive, and more solid than it had at any time possessed," even at that date developments were gradually taking place which were bound sooner or later to challenge the commercial primacy to which he referred.

Behind tariff walls great peoples were developing industries and preparing themselves to compete with us in the markets which we had come to look upon as exclusively our own.

Nevertheless, the great headway which we had made and our traditional honesty secured for us, even against the ever increasing competition of our trade rivals, a sufficiency of demand, while the great wealth which we had built up, particularly that portion of it invested abroad, ensured the continuance of our supplies of the food and raw materials upon which we were dependent.

The Unheeded Prophet

At the end of the nineteenth century there were not wanting, however; those who foresaw the inevitable result of the growth of industrialism abroad, and in 1903 Mr. Joseph Chamberlain, a member of a leading manufacturing family, warned the country in no uncertain terms that a continuance of the conditions under which we had so greatly advanced could not be expected, and that altered circumstances would necessitate a reversal of

our policy. Although supported by a following which included some of the keenest intellects in the country, he could not secure the numerical support to enable him to carry his policy through, the great masses of the people being unable to rid themselves of their inherited predisposition to free trade, while the traditions of the sufferings which were endured before the passing of the Corn Laws survived in thousands of working class families and rendered them as unreceptive of warnings of menace to their industrial supremacy as they were of similar warnings to their danger from German ambitions.

Industrial, not a Political, Problem

This brief retrospect is necessary if the full significance of existing conditions is to be understood.

In my opinion the question of our trade policy is an industrial rather than a political one, and it is the greatest misfortune that this question should have been made the shuttlecock of politicians and still remains so.

It may almost be called the genius of the British people to take the hard road—"You will always be fools, we

shall never be gentlemen," was said by a German naval officer before the war, and the first sentence aptly expresses the view of our free trade policy held by those who thought that, through our folly, they would find means to replace us in the world.



Portrait

MR. E. W. PETTER

Elliott & Fry

Altered Industrial Conditions

The problem which we now have to solve in this country is how, in view of the altered conditions which have gradually grown up and which the war has magnified, we can, in harmony with our history and traditions, survive in the circumstances in which we find ourselves.

Stated briefly, these are the virtual disappearance of our foreign investments and their replace-

ment by correspondingly heavy foreign liabilities. A world, including our own Dominions, converted to industrialism until nearly every civilized country has developed manufactures and surrounded itself with tariff walls, but with no decrease of our population at home, and no better means of supporting it than heretofore.

During the war we were told of the enormous demand for our manufactures

which would arise at its termination from countries which had been deprived of supplies for four years, and for a brief period this prognostication appeared to be justified; but due to circumstances partly at home, and more particularly abroad, after a very short time we discovered that the demand ceased and it has not since arisen in any such volume as to keep our people engaged in the factories to which they normally belong.

A Fact to be Faced

Whatever view may be held as to the responsibility which labour troubles and unrest must bear for this, and they were not without their effect, the broad truth is that the rate at which foreign countries developed their manufacturing capacity increased enormously during the war and the almost universal raising of tariff barriers that has taken place has permanently affected the demands of those countries for British manufactures in the future. This is a fact that has to be faced. Add to this the virtual disappearance of Europe as a buyer of manufactured commodities.

The Attitude of America

Excepting our own Dominions, the only great civilized community of high consuming power is the United States of America. Look at a map of the world. Cut out Europe and the whole of Russia and the Near East. Cut out the United States and the British Empire. What is there left? The countries which remain, although many of them have great potentialities, do not in the aggregate constitute a market that would employ a third-rate manufacturing power, and yet, in those countries, we have to meet at the present moment the bitter competition of every country which is looking for export markets for her manufactures. It is therefore necessary

to consider how the attitude and policy of the United States of America affect our own situation. I wish to say that I have no personal grievance against the American people. I have spent some months in their country, and have enjoyed their rightly praised hospitality, and I know that as individuals they are the equal in all virtues of the best of our people; but I am going to say some hard things about their trade and economic policy, and shall endeavour to show that these are justified by the facts of the case.

America was a spectator of the events leading up to the world war. There is no country better served by its press and no country better able to judge issues in international affairs. The Americans (excepting naturally those of recent German origin) knew from the outset that the war was a war of aggression thrust upon Europe by the overweening vanity of the German people led by an emperor and military caste who had determined upon the subjugation of the world, whose motto was in fact "World power or downfall." I could quote from dozens of authoritative American books to prove this, but as no American who counts would deny it it does not appear necessary to do so.

America, from the first day of the war, knew that if Europe were overrun and England defeated the attention of the victorious German armies would be transferred immediately to herself. In other words, America knew that she was as much concerned in the issue as were the European nations who had had the war thrust upon them. She proved this by her belated entrance into the conflict when, owing to the definite conclusions at which she arrived as to the result of the German submarine blockade, she decided that the danger which menaced her, transcended her inherited tradition not to take part in European affairs, and that her interest, and in fact her

Free Trade the Ideal, but—

Even Adam Smith, of whom we are thinking much at the present time, proclaimed the importance of defence in economic affairs, and said that "if domestic industry requires it for the purpose of defence, it will generally be advantageous to lay some burden upon foreign."

On the other hand, the ethical foundations upon which our free trade policy was based remain, and if it could become universal and the world thrown open to the free exchange of commodities between nations, the hopes of those who inaugurated the policy of 1846 might yet be realised.

What I am going to endeavour to show is that while free trade is the ideal which we should keep before us, our present circumstances demand that in order to preserve the industries upon which our very existence depends we must take steps to secure markets for our products and that it is the interest, not only of the Mother Country, but also of her Dominions, that reciprocal arrangements should be made between them to ensure as far as possible the prosperity of all the constituent parts of the British Empire.

Strength of the Empire Bonds

I do not think it is necessary to argue the value of Great Britain to the federation of states constituting the British Empire. The home country forms the rallying point of all and binds them together in a manner otherwise impossible. Owing allegiance to a common throne, the Empire sentiment is strongly implanted in the farthest corners of our Dominions, but it is much more than that. Common interest is equally served. Great Britain has always borne the major portion of the burden of finance and of defence. The great war which ended in 1918 proved to the dismay of our enemies how strong was the bond of union which

appeared to them so slight, and although too much cannot be said in praise of the manner in which her sons from all parts of the Empire rallied to the support of the central organisation, it must not be forgotten that from whatever point she is judged the Mother Country carried the major portion of the burden.

If there had not been the common centre and strength at the heart the individual States could have been dealt with piecemeal with inevitable destruction.

Not only so, but by far the major portion of the burden of finance and debt consequent upon the war lies on the Mother Country.

If Great Britain should become weak and unable to support the burden of Empire, the individual states would be faced with the necessity of taking measures for defence such as not one of them could adequately carry.

The combination of sentiment and interest as a binding force in inter-State affairs is legitimate and natural, and not to be sneered at. In all human relations mutual interest is a potent factor.

Tangible Benefits of Empire Preference

The development and extension of the system of Empire Preference which has been tentatively tried since 1919, and has already produced most beneficial results, offers the greatest hope of relieving our own trade and unemployment problems, while affording the best means of defence against the one-sided policy of the United States of America.

The information given to Parliament by the Financial Secretary to the Treasury on 11th June proves incontestably the value placed upon our first steps in this direction by our Dominions, many of which have for years given substantial preference to this country.

Sir W. Joynson Hicks showed that as a result of preference 90 per cent of the

tea imported into this country is now Empire grown, while the price to the consumer has been reduced twopence per pound. Our imports of Empire cocoa have increased from 50 per cent to 90 per cent of the total, of coffee from 20 per cent to 45 per cent, while Empire grown sugar, wine, tobacco, and dried fruits have increased in varying proportions.

On the other hand, the same Parliamentary debate disclosed that the benefits which we have derived from this policy have been great and tangible. There has been an enormous increase in our Australian trade since the Preference was instituted, and last year that country bought more goods from us than any European country has ever taken in one year.

Retaliatory Tariffs Recommended

The Dominions are waiting anxiously to see if our policy will be maintained.

It is to the development of this policy that we can look with the utmost confidence and our aim should be, without any sort of dictation and simply by the operation of mutual interest, to establish Free Trade within the Empire with a Free Trade world as our ultimate goal. But in order to achieve this prohibitive tariffs in other countries must be effectively combated. Therefore until the United States of America withdraw their virtual prohibition upon imports all States within the Empire should raise retaliatory tariffs against her manufactures.

The policy, which I have not ventured to do more than outline, would have an immediate effect upon our own unemployment problem, which is far more serious than is indicated by any figures available. If the internal condition of a very large number of industries at present working and providing employment could be exposed this would be understood.

Vital Need of Empire Trade Policy

A definite trade policy having for its primary object the keeping open of overseas markets for our manufactures is a vital necessity for this country, and is therefore equally vital to the Empire as a whole. This subject will no doubt form the principal item in the forthcoming Dominion conference, and I have not done more than indicate some of the points which will have to be considered and the lines which, in my opinion, it will be necessary to follow.

The alternative does not bear contemplation, and the sufferings which must follow the loss of our industries will not only be felt by those directly concerned but by every individual irrespective of his calling.

Attitude of the Workers

A good job and security of employment is the real desire of the working man.

Socialism, communism, class warfare, and antagonism between the various parties all equally dependent upon industry only appeal to him because he finds himself "up against it" and cannot see the remedy. The dole is a pitiful substitute for honest work and produces more resentment than gratitude.

I recently advertised a relatively humble job in a London daily newspaper and received over 250 replies, the majority from people whose one longing was to find employment.

The policy which I have advocated offers the hope of employment to tens of thousands of such people, and I believe the time is not far distant when the workers of this country will be clamorous in support of a policy which will open the workshops to them once more and relieve them of the sufferings which they have already borne too long. When this time comes a new era will begin in our industrial affairs.

The Work of a Traffic Department

By C. F. KING, A.C.I.S., Grad.Inst.T.

The advantages to a business of organising a special Traffic Department in order to secure efficient transport service are very considerable, and they are here ably set forth.

AMONG the many things that the war has taught us is the necessity for developing our transport system on scientific lines and consequent upon this, transport is being given a more important position in the administration of a business. Ten to twenty years ago the Traffic Department in a commercial house or manufacturing business was almost unknown. A very short survey of commercial conditions at the present day will suffice to show how necessary is an efficient transport service.

It is surprising when one considers how other agents of production have received so much more care and attention in their development, that the transport side of distribution which has been described as the "life blood of commerce" should have been left to be dealt with by many large business interests in a more or less slipshod fashion.

Development of Transport Study

With the sweeping alterations in the Railway Classification, the setting up of the Rates Tribunal and other alterations connected with railways, brought into being by the Railways Act, 1921; the developments in the road transport trade; the coastwise steamer trade, and transport by canal, the need of an efficient traffic department in the hands of properly trained men is being felt. That this need is being met by educational bodies is shown by the fact of the formation of the Institute of Transport and the inclusion of transport as an alternative trade group for the Commerce

Degree of London University. To some extent the activities of the Institute of Transport will provide an opportunity for the frank discussion of transport problems, and in two or three years' time when the examination scheme comes into force, a comprehensive system of training in transport matters will be necessary to obtain its diploma.

Home Trade Transport Organisation

In considering the work of a Traffic Department in a commercial house it will be necessary to consider what field is to be covered by the department, home trade and/or export trade. In many firms having a large export trade that branch of their business is conducted quite apart from the home trade. In this paper it is proposed to outline very briefly work of the Traffic Department as concerned with home trade only.

The way in which a firm deals with its traffic from the transport point of view is governed very largely by the nature of the business. Some trades call for large consignments only, others for small consignments, and again some for mixed consignments, depending on the nature of the business, i.e. whether wholesale or retail. Again some industrial companies owning large numbers of shops have to employ a comprehensive system of distribution to and from various depots up and down the country. The work of the Traffic Department therefore lies in producing and working the most efficient system suitable to the peculiar nature of the traffic. Many forms of transport

may be used in one business: for example, raw materials may be barged from the docks to the factory, and the manufactured article be dispatched to customers by railway, road, or coastwise steamer.

In the case of a manufacturing business the position and accessibility of the factory should receive most careful consideration. Many thousands of pounds may be spent in cartage from a railway station or wharf which could have been saved if the factory had been erected near a railway line and/or on the banks of a canal or river.

The "Operation" of Traffic

In dealing with a firm's traffic, it has always to be borne in mind that the goods must be delivered to their destinations in the quickest possible time having regard to cost and immunity from damage. Where a company owns its own motor, and/or horse delivery vans these should only be used on work and over such an area as will justify their use, and to this end very careful records of the work performed and the cost per unit should be prepared. Careful consideration should be given to finding the most economical and suitable type of car or van for the particular traffic and this can only be done if a proper supervision is exercised and working costs compiled. In dealing with carriers full advantage should be taken of special and exceptional rates and where necessary these should be applied for. Where the factory is connected with the railway by means of a siding the utmost use should be made of this connection having regard to consideration of time taken in transit and cost as compared with other forms of transport. The Traffic Department

should be thoroughly conversant with all agreements relating to a siding and/or any other special transport facilities.

On the Making of Claims

As distinct from the "operation" of traffic, the Traffic Department has to deal with the questions of damage, pilferage, delay to, and loss of, goods. In dealing with these the conditions of carriage pertaining to the various forms of transport must be thoroughly understood and claims made in accordance with those conditions. In this connection a list of the more important law cases kept up to date, is useful as an addition to various text-books on the subject, at times it may be necessary to consult counsel. An excellent way to procure the best advice and to take action in common with other traders is to support some association existing for the protection of traders' interests in transport matters. The Mansion House Association on Railway and Canal Traffic exists for this purpose and is representative of some of the largest trading interests in the country.

In a business employing commercial travellers arrangements should be made to procure Traders' Tickets where possible for their use.

It will be necessary to keep various statistics in connection with the traffic dealt with and the form of these will be dictated by the particular business concerned, no general lines can be laid down.

Where a very large staff is employed the Traffic Department can form a useful link with the Welfare Department in providing full details relating to special and excursion train and steamer arrangements and other information connected with holidays.

The New Property Assessments and Factory Occupiers

By HENRY E. COLESWORTHY, A.S.A.A. (Hons.)
Gold Medallist of the Society of Incorporated Accountants and Auditors
and SIDNEY T. MORRIS, A.S.A.A. (Hons.), A.C.W.A.

Valuable information is placed at the disposal of factory owners and occupiers in this article, which explains clearly and in non-technical language the true significance of the re-valuation of business premises. Any readers who have reason to believe their new assessments excessive, and desire further explanation before entering an appeal, are invited to submit their difficulties to the Editor.

THE fact that comparatively few organised protests have been raised against the new valuations of business premises is probably due to a feeling that the matter is of less import than the re-valuation of dwelling-houses. The voice of the factory owner has been inaudible above the din from the house-owner, and little attention has been given to his case in the press. Generally speaking, factory-occupiers have proceeded on the assumption that "the loss on the swings will be gained on the roundabouts"; in other words—that any increase in tax under Schedule A will be recovered by a set-off against Schedule D profits, under Rule 5 (1) Cases 1 and 2, Schedule D, Income Tax Act, 1918. Some little consternation has been caused, however, by a statement to the effect that if there are no profits under Schedule D then Schedule A tax cannot be recovered. Another statement on the matter, bearing some impress of authority, referred to "the right of the tenant to deduct all Schedule A tax from the landlord." These various opinions on the effect of the new valuations are but half-truths, and an attempt will be made in this article to set out succinctly and in a non-technical manner the real significance of the re-valuation to factory owners and occupiers.

factory was fixed by an agreement made prior to 5th April, 1916, it will often be found that the new valuation exceeds the annual rent payable. Hitherto, the tenant has deducted the property tax from his rent when paying the landlord, but if his Schedule A assessment now exceeds the actual rent he can only deduct from his payments to the landlord a sum equal to tax on the rent. The balance of the tax must be borne by the tenant, but in practice he is allowed to set it off against his Schedule D tax in the following manner: To the adjusted profits for Schedule D (one adjustment being the charging of the unrecovered Schedule A balance), he adds back the actual rent paid plus the unrecovered tax and then deducts the whole of the Net Schedule A assessment. If, therefore, a factory is assessed under the new valuation at £1,500 net and the rent is only £1,000, the adjustment for Schedule D will be as follows—

	£	s.	d.
Adjusted Profits (after charging the unrecovered tax on £500), say,	15,000	—	—
Add back: The actual rent	1,000	—	—
„ The unrecovered tax— (£500 at 4/6 in £)	112	10	—
	16,112	10	—
Deduct: Net property tax assessment	1,500	—	—
Taxable profits (ignoring average)	£14,612	10	—

Tenants of Factories

In those cases in which the rent for a

It will be found that this adjustment rectifies any anomaly and places the

tenant of a property assessed at a figure exceeding the rent in exactly the same position as a tenant whose Schedule A assessment does not so exceed it.

Losses and Schedule A

A complication arises when the Schedule D computation discloses a loss, and it is in this connection that most misapprehension has arisen. Dealing still with the factory tenant, it is clear that losses will not affect his right to recoup his Schedule A tax from the landlord as long as the rent equals or exceeds the net assessment. Whenever the assessment exceeds the rent and his Schedule D computation shows a loss, he must bear the unrecovered tax himself, but *only temporarily*. He is entitled to recover this tax under Section 34 of the Income Tax Act, 1918, just as much as he is entitled to recover in respect of his trading losses. The manner in which this is set out in a claim is as follows—

	£	s.	d.	£	s.	d.
Adjusted Loss (after charging the unrecovered tax on £500)				15,000	--	Loss
Deduct: The actual rent	1,000	--	--			
" The unrecovered tax (£500 at 4/6 in £)	112	10	--			
				1,112	10	--
				13,887	10	--
Add: Net property tax assessment				1,500	--	--
Claim under Section 34 (ignoring other factors)				£15,387	10	--

It will be observed that this adjustment includes the whole of the excess of Schedule A assessment over the rent, for £112 10s. 0d. is included in the adjusted loss of £15,000 and £387 10s. 0d. is included in the final figure—a total of £500. It must be remembered that claims under Section 34 deprive the taxpayer from bringing into average the amount of the loss represented by the income tax recovered. If the total loss, however, exceeds the assessment under the average including the Schedule A assessment, the balance can be carried forward into future averages.

There are certain exceptional circumstances connected with the average system under which a Section 34 claim may prove detrimental to the taxpayer. Factory occupiers proposing to put forward such claims would be well advised to take advice before submitting them, in order that these special circumstances may be taken into consideration.

Leaseholders Occupying Factories

Leaseholders who pay a small ground rent are in no less favourable position than ordinary yearly factory tenants. The Schedule A tax is borne by them in the first place and adjusted in the Schedule D computation, after taking into account the tax they recouped from the ground landlord when paying the ground rent. If a loss is sustained they are fully entitled to include the unrecovered tax in their Section 34 claim. It is within the writer's knowledge that many factory leaseholders are unaware of this fact, and the illustration given above should be examined with great care by lessees who have been accustomed to recover only a small part of their tax from a landlord.

Owner-Occupiers of Factories

It is probable that owner-occupiers form the greater portion of factory occupiers, but as the information given under "Tenants of Factories" is largely applicable to owner-occupiers, we need not devote much space to the considerations under this heading. The owner, of course, cannot recoup his Schedule A tax except from the revenue. Instead of a charge for rent appearing in his Schedule D computation, the Schedule A assessment itself is deducted. By virtue of the Finance Act, 1919, it is the Gross Schedule A assessment that is deducted and not the net, but this concession only applies to mills and factories. Owners of other types of business premises may

only deduct the net assessment. In the case of a loss, the Schedule A tax is recovered in a Section 34 claim as set out above.

The Advisability of an Appeal

It might appear from the foregoing that there is little ground for the only protest raised on behalf of factory owners during the recent press campaign that "the new valuations mean an increased taxation burden on industry." Nevertheless the new valuations will certainly entail increased burdens on the factory owner in other directions, and no time should be lost in entering an appeal if the new assessment appears excessive. The time within which appeals may be lodged has been extended, under certain conditions, to 31st August next. The most important reason for entering an appeal is that very many of the new assessments on factories exceed the poor rate assessment, and unless objection is raised in

such cases the owner will find that an appeal against the local assessments for District and Poor Rates will meet with little attention from the Assessment Committee. The local assessments will naturally follow the imperial valuations as soon as they are finally fixed. It must also be pointed out that County Rates are generally apportioned over the local districts on the basis of the total assessments of the districts. If, then, one district contains factories and similar properties, against the valuations of which no appeals have been raised, that district may be charged with a comparatively greater proportion of the County Rate than a residential district in which appeals have been entered by practically every aggrieved house-owner.

If the new assessment is inequitable or in excess of that applied to comparable property in the neighbourhood, then the factory occupier should enter his appeal with the least possible delay.



Manufacturers and Retail Prices

THE National Union of Manufacturers (6 Holborn Viaduct, E.C.1) is seeking information from its members regarding the extent of the evil of excessive retail prices. In a circular issued last month they state that the disparity between the price the producer receives and the price the consumer pays is one of the crying evils in this country at the present time.

In the case of agricultural produce this is notorious, and it is one of the main causes of the present deplorable condition of agriculture. The fixing of excessive retail prices appears to be extending. Shopkeepers to-day are adopting the principle of small sales and

big profits, rather than that of big sales and small profits. The result is obvious—curtailment of sales and depression of trade. Attention was drawn to the matter, it is recalled, in December last by Sir Richard Cooper, Bart., at the Midland Branch meeting in Birmingham, and manufacturers were urged to give it their earnest consideration.

Further representations have since been received, and members are now urged to bring any instances of excessive retail prices which come before them to the attention of the General Secretary (Mr. Godfrey Cheesman, F.R.G.S., F.S.S.).

The Canned Goods Trade

A Survey of its Salient Features

By WALTER O. STEIN, B.A. (Lond.), F.R.Econ.S.

THE canned goods trade is one of comparatively recent origin and growth, and owes its development to the economic progress of the age. The art of canning itself is not a recent one by any means, but its extension to many kinds of food is a product of the twentieth century. The war and the consequent need of ready-made food or food which could be prepared at short notice and with very little trouble, have opened the eyes of many people who had hitherto believed that only fresh food was nourishing and were therefore strong disbelievers in any kind of prepared products. In a way, their cautiousness was an advantage to the trade, for it made the packers careful to put only the best products on the market. In order to keep the food in good condition for any length of time, it is necessary for the tins to be absolutely airtight, and modern science and up-to-date machinery have enabled this to be done, so much so that in many cases goods have been found to be perfectly sound and wholesome after as long a period as three or four years' preservation.

Helping the Housewife

Such a purely economic question as the emancipation of women has also, curiously enough, helped to increase the consumption of tinned goods. The modern housewife is no longer content to be the slave of the kitchen, and in her desire to decrease the amount of food to be cooked or prepared she has found tinned products of great help to her, and the servant problem together with the desire to economise in such items as coal, gas, and electricity have also led to the desire of a method of nourishment which will

give as great a satisfaction to the body and human appetite as fresh food, but without the attendant trouble and expense of preparation.

Nature of the Trade

The canned goods trade belongs to that big trade known as the Produce Trade, which includes commodities as wide apart as rubber and sugar. It is a branch of the provision trade, and though most big dealers in general provisions include canned goods in their lists, there have sprung up in the last few years a large number of firms which deal only in tinned products. For the canned goods trade is now so wide and the number of commodities which are being canned is now so large that even those merchants and brokers which deal only in tinned goods have mostly to limit the number of the articles in which they deal. Thus the biggest merchants usually deal in some specific article like canned milk, meat, or fruit, which they import direct from the packers in different parts of the world. The five big commodities which are canned are milk, meat, fruit, vegetables, and fish, though this is not necessarily their order of importance.

Canned Milk

The progress made in hygienic science during recent years has been in no small measure responsible for the increased use of evaporated milk. The danger of tuberculosis arising from unboiled milk is eliminated in the case of condensed milk, and in the large towns, where the ordinary milk has to be brought from great distances and consequently loses much of its freshness in transit, condensed milk

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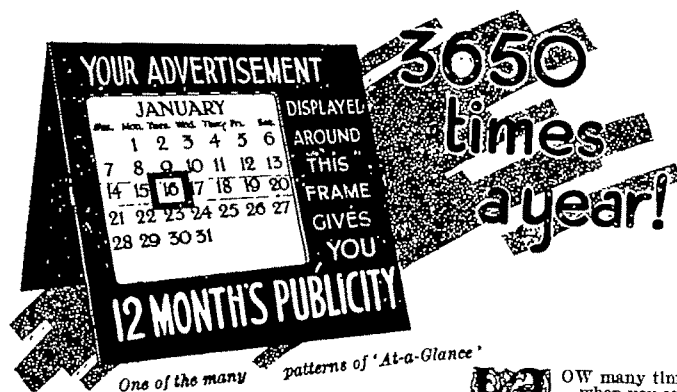
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has been found to serve the purpose equally well, if not much better. The principal countries where milk is evaporated are Holland, Switzerland, U.S.A., and Canada. Each of these countries possesses large numbers of cattle, and as their pastures are favourable to cattle-breeding it is natural that one of their large industries should consist in the preparation and export of milk to other lands where the conditions of the soil and the opportunities of cattle-breeding are less favourable. By popular fancy, Switzerland has obtained the premier place in the milk-canning industry, and there is no doubt that the pure mountain air and magnificent mountain pastures have conduced to its excellence in quality. But in recent years there has been considerable competition from the States and Canada, while Holland too has been increasing her cattle-breeding, and a large number of new factories have been springing up there in the last few years.

Canned milk has two main grades, the *skimmed* and the *unskimmed* milk. Of these two the *unskimmed* or *full-cream* milk is, naturally, the better in quality, and consequently the dearer in price. Then again, popular taste has demanded that the milk should be sold as *sweetened* and *unsweetened*, though without affecting the quality. Like in everything else, it does not necessarily follow that the cheapest in price is the lowest in quality any more than the converse, and it often happens that rates of exchange, freight charges, etc., are accountable for the fact that full-cream milk, say, from America is often dearer than similar milk from Holland or Switzerland, which may be better in quality.

Tinned Meat

There is no need to say much about the merits or (more frequently) otherwise of tinned meat, for many ex-Service men may possibly skip this paragraph in

order to escape unpleasant memories. But to those who are brave enough to read it, it is sufficient to say that the type of "bully-beef" served in the army was not, of course, of the finest or freshest quality. Tinned meat does not keep in good condition for any considerable length of time, and in the excitement of war quality was forgotten in the scramble for cash. But the advent of peace, and especially the slump of the last two years, have again caused the packers to look to the quality of their goods, so that we are once more getting back to the freshness of the pre-war quality. The two chief countries of origin for tinned meat are U.S.A. and the Argentine Republic. Though the former country is more advanced in the technicalities and methods of production, the wide expanse of territory in the latter bids fair to make it the premier meat-exporting country of the world. The neighbouring Republic of Uruguay is also a large exporter of live cattle and tinned meat, while the considerable number of pigs bred in the United States of America have made the canning of pork an industry of considerable importance. Germany has for long been known as the home of sausages, but the canning of these is also done with considerable success in Holland and U.S.A.

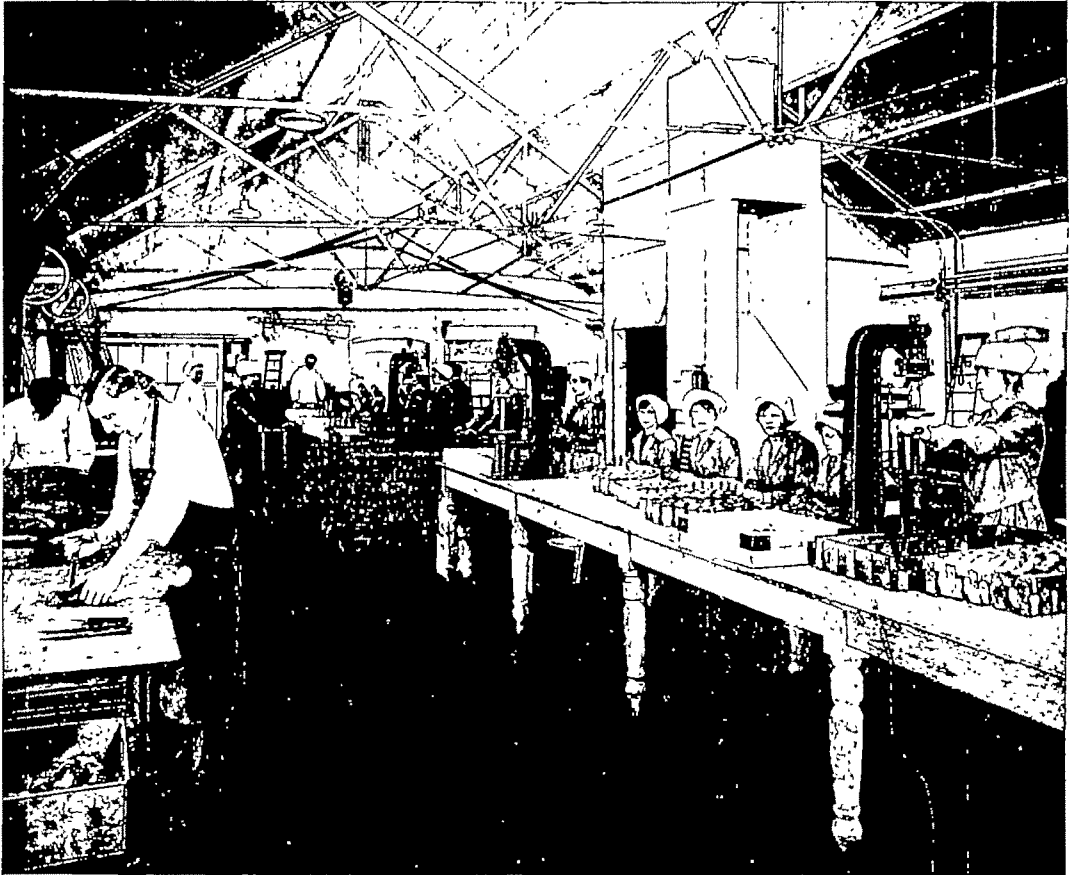
Fruit and Vegetables

Pears, peaches, and apricots are found in many lands, but the choicest of all come from the orchards of California. The canning here is very highly developed, and the centres of Seattle and San Francisco are largely concerned with the export thereof. The principal canners in California have formed an association for the mutual protection of their several interests called The Californian Packers' Association, which has issued rules for the grading of the fruit. Before 1920 the Californian canned fruit was graded into

Extras, Extra Standards, Standards, and Seconds, the grading being not only according to quality but also according to the percentage of added sugar. Three years ago, however, the standard of grading was altered to Fancy, Choice,

latter the stone falls away from the fruit. The latter is therefore the softer and riper fruit, but the former is the harder fruit, keeps itself better, and therefore fetches a better price in the market.

The other principal fruit is pines, which



• GIRLS AT WORK AT THE FILLING TABLES AT MESSRS. ANGUS WATSON & Co., NEWCASTLE-ON-TYNE
The capping machines, which fix air-tight caps to the filled jars, are shown; on the left butchers are boning meat, and in the background trolleys are seen conveying the jars to the ovens for cooking.

Standards, and Seconds, the new Standards being equivalent to about the old Extra Standards. There are two packs each year, the summer pack and the winter pack, and it is generally agreed upon that the summer pack is the better of the two. Of peaches there are two varieties, the *Yellow Cling* and the *Yellow Free*. The former are distinguished by the fact that when split in the middle the stone "clings" to the fruit, whereas in the

come from Hawaii in the Sandwich Isles, and also from Singapore. The former are by far the better in quality, being sweeter and fuller in flavour, and the latter, therefore, fetch nothing like the same prices as the former. In pines, the grading is somewhat different than in the case of the other fruits, the former, of course, having nothing to do with The Californian Packers' Association. There are only two grades in pines, namely Extras and

Standards, and the varieties are likewise two in number, Chunks and Slices. For all kinds of fruits there are three stock sizes in which the tins are sold, viz., 1's, 2's, and 2½'s, while some packers also use the 1½ size. These sizes are purely nominal, and mean that the gross weight (*inclusive* of the tin itself) is 1 lb., 2 lbs., etc.

A small but rising trade is being done in canned vegetables, which come principally from Belgium, France, Luxemburg, and Italy. Although the best in quality come from France, the cheapest in price are Italian. These are the well-known *petit pois* and *haricot verts*, and a small luxury trade is done in asparagus. Spinach is also canned in America, but the consumption of this is small. In fact, it must be admitted that at present the demand for fresh vegetables is too active to permit of a large extension in the consumption of the canned variety.

Rapid Progress of Fish Canning.

Canned fish represents one of the great departments of the canned goods trade. From small beginnings it has risen to great importance, and this is increased by the fact that it is so widely spread not only in the countries of Europe but in the continent of North America as well. For three European countries it forms one of the principal export trades, viz., Norway, France, and Portugal. There are several important canneries in Norway, notably at Bergen and Stavanger, in which the *brisling* and *silds* caught by the hardy Norwegian fishermen are prepared for export to all parts of the world. These two kinds of fish belong to entirely different "tribes," the former being a cousin to the herring and as a consequence called "little herring" in some countries, whereas the latter is a smaller and daintier fish belonging to an entirely different "set." For the sake of brevity and convenience, *brisling* and *silds* are often

known in the trade as "Norwegian sardines," though as already stated, they have nothing whatever to do with sardines, which belong to an entirely different family, and are caught principally in the waters around the coasts of France, Spain, and Portugal.

The Sardine Controversy

The finest quality *sardines* (proper) come from France, but those coming from Spain and Portugal, whilst also of good quality, are somewhat coarser and saltier in flavour. Some years ago a High Court action was brought by the Association of French Sardine Packers against a well-known and highly respected Anglo-Norwegian firm, in which an injunction was obtained forbidding them to use the word "sardine" in application to Norwegian *brisling* and *silds*. This injunction was no reflection whatever on the nature and quality of the Norwegian fish, but was rather in the nature of a desire to keep the name of sardine exclusive to the French and Portuguese variety. A fish which is in some way analogous to the sardine is the American *pilchard*, which is caught off the coast of California. Though caught principally for home consumption, a certain amount of export is also done to Europe, where it finds a fair market for the ship-store trade.

The Popular Salmon

But the principal American fish brought to Europe in tins is the salmon. The United States of America and the Dominion of Canada are the chief purveyors to the world of the *tinned salmon* which is so well known to every housewife, though in the last few years Japan has proved to be a serious competitor in the cheaper brands. There are two great varieties in tinned salmon, the *pink* and the *red*. In the United Kingdom home

trade the latter variety has always fetched the better price owing to the greater demand for it, but on the Continent, especially in France and Switzerland, a much greater preference is shown for the former, and consequently pink salmon fetches a comparatively better price there than it does at home. The finest salmon in the world is probably that caught in the Fraser River, but as the demand for this brand exceeds the supply the prices it fetches are usually out of reach of the average housewife's purse, and consequently a ready market is found for so-called "equally good" substitutes. The next best salmon can be said to be the Alaska salmon, which, as its name implies, is caught right in the Far North. The supply of this is always fairly abundant, so that a good market can be looked for at moderate prices. This is the usual brand of high-grade *red* salmon which is found in the average retailer's shop.

An Empire Production

The "luxury article" of the whole trade is the lobster, and comparatively few of them are canned each year. The best of them come from Newfoundland, though a small market is also found for those canned in South Africa. There is only one grade of quality in tinned lobster—the best, and the different sizes in the various tins sold is due to the varying size of the lobster when it is caught, and has nothing whatever to do with the quality of the fish. Tinned lobster is thus essentially an Empire production, as over 75 per cent of the canned lobster consumed all over Europe comes from Newfoundland or the rest of the Dominion of Canada. It can be truthfully said that the art of canning has put the salmon and the lobster within the reach of many who would otherwise not be able to purchase it, for the prices of the canned and imported goods, being produced in bulk,

are much cheaper than the fresh fish sold by the fishmonger. Also the boggy of ptomaine-poisoning has had no effect on the annually increasing sales of tinned salmon. In fact it is only by carelessness that the risk of ptomaine-poisoning is incurred. The main thing to remember is to pour out the contents of the tin immediately after opening it.

How Canned Goods are Marketed

The marketing of canned goods is done mainly through the agency of brokers, who operate on the London and the various provincial markets. The packers, too, have their recognised agents in the various European countries. For the United Kingdom the most important centre is Liverpool, with London and Manchester as good seconds. For Scotland the centre is Glasgow. Subsidiary markets are also found at Bristol, Hull, and Newcastle-on-Tyne, the last two being the principal ports for the import of Scandinavian products. From all these centres the goods are sold to factors and retailers throughout the United Kingdom. In conclusion, mention must also be made of the considerable transit and re-export trade carried on from the ports of Liverpool and London with the Continent of Europe. Many Continental importers prefer to buy their goods in England, for they can thus obtain quicker delivery of their goods, and can also avoid many of the fluctuations in price which occur from long-term contracts. The markets for this kind of trade on the Continent are Havre, Antwerp, and Rotterdam, but in this respect Hamburg has not yet regained her pre-war volume of trade. Since the war, however, with its strivings after new business relations, much of this re-export trade has passed into the hands of direct importers, who are willing to take on the extra risks of business involved in dealing with the packers and growers direct.

Standard Terms and Conditions of Carriage

By GEO. B. LISSENDEN

Author of "Industrial Traffic Management," etc., etc.

New and important conditions now govern railway transport, materially affecting traders' interests. The real significance of these changes is explained below by an unquestioned authority.

THE "Standard Terms and Conditions of Carriage of Merchandise" (other than dangerous goods and merchandise for which terms and conditions are specially provided), when carried by merchandise train at company's risk rates as settled by the Railway Rates Tribunal, are now available to the general public and, because of its importance, a copy of the publication should be in the possession of every railway trader. The price of the publication is 1s. 3d. post free, and it can be obtained from G. Cole Deacon, Euston Station, London, N.W.1.

Important New Conditions: The Receipt Clause

Many new and important conditions have been introduced—some for the protection of the traders and others for the protection of the railway companies—and all those who have taken part in the settlement of these are to be congratulated on the result of their labours. Thus, Condition 1, after making it obligatory for a consignor to hand to the railway company, together with the goods which he wishes them to forward, a consignment note setting forth the full names and addresses of the sender and the consignee, the destination, particulars of the nature and weight of the goods, and a declaration as to who is responsible for the carriage charges, provides that "The company shall, if so required, sign a

document, prepared by the sender, acknowledging the receipt of the consignment, but no such document shall be evidence of the condition or of the correctness of the declared nature, quantity or weight of the consignment at the time it is received by them." The traders' representatives had to fight very hard indeed to secure the inclusion of this clause, the railway companies arguing that the giving of receipts would cause a lot of additional work for their staff and place upon the companies a responsibility which they could not accept; but upon a hint being thrown out by the President of the Tribunal that the traders' application was a reasonable one, a revised clause, as quoted above, was agreed to by the railway companies. And now, of course, the trader will have something to show if and when a consignment gets lost in transit and a claim arises, whereas hitherto—especially with passenger train traffic, which is not now invoiced but merely "stamped"—the difficulty has been to prove the dispatch of the goods for which no receipt has been obtained from the carriers at the time of forwarding.

Loading in Private Sidings

Condition No. 2 introduces an entirely new feature and provides that "Every truck loaded in a siding not belonging to the Company shall (except as otherwise agreed in writing generally or in respect

of a particular consignment) be labelled by the trader with two labels, which shall be securely affixed one on each side of the truck, and upon each such label shall be stated :

- (a) The name of the sender.
- (b) The name of the consignee (except where the truck is loaded with merchandise for more than one consignee).
- (c) The station or place of destination and where such station or place is served by more than one company the name of the delivering company.
- (d) The nature of the merchandise.
- (e) The actual weight, or where this is not practicable, the approximate weight, of the merchandise inclusive of packing.
- (f) The name of the owner and number of the truck.

When this condition was being argued before the Tribunal, Counsel for the railway companies said that "The railway companies undertook to state before the Tribunal that they had no information before them which leads them to contemplate any alteration in the existing practice in cases where trucks are labelled by Railway Companies on behalf of traders. . . All the Railway Companies, on the other hand, I think, have written to the objectors and said that they do not contemplate making any alteration, but they must reserve the right to do it, though they will not do it without giving three months' notice." In the past the practice has been for the railway companies to label their own vehicles, but now, if the railway company give him three months' notice to this effect, *he*—the trader—must perform this task.

Conditions No. 3 and 5 define the extent of the companies' liability under varying circumstances ; whilst 6 and 7 deal with the conveyance of goods beyond the actual railway journey.

A Concession as to Claims

An appreciable concession has been asked for and obtained with regard to claims—or rather the time within which claims must be presented. In the past

the "claims clause"—as it was familiarly called—provided that a claim for damage to a consignment had to be presented to the railway company within three days from the date of delivery, and a claim for total loss within fourteen days from the date of dispatch or no liability was accepted by the carriers, but the new Condition No. 8 provides as follows—

The company shall not be liable—

- (a) (i) for loss from a package or from an unpacked consignment ;
- (ii) for damage, deviation, misdelivery, delay or detention, unless they are advised thereof in writing (otherwise than upon any of the company's documents) at the forwarding or delivering station or at the District or Head Office of the forwarding or delivering company within three days and the claim be made in writing within seven days after the termination of the transit of the consignment or the part of the consignment in respect of which the claim arises.
- (b) for non-delivery of the whole of a consignment or of any separate package forming part of a consignment addressed in accordance with Condition 1 hereof, unless they are advised of the non-delivery in writing (otherwise than upon any of the Company's documents) at the forwarding or delivering station or at the District or Head Office of the forwarding or delivering Company within 14 days, and the claim be made in writing within 28 days after receipt of the consignment by the Company to whom the same was handed by the sender.

"Provided that if in any particular case a trader before action brought proves to the satisfaction of the Company, or, where the Company are not so satisfied, of the Railway Rates Tribunal, that it was not reasonably possible for him to advise the Company in writing or to make his claim in writing within the aforesaid times, and that such advice or claim was given within a reasonable time, the Tribunal may if having regard to all the circumstances they consider it equitable declare that nothing in this Condition shall be a bar to the maintenance of proceedings against the Company."

It will thus be seen that although notification of any loss from a package or damage to it has to be made in writing within three days, and the loss of an entire consignment within fourteen days, the claim itself can follow within seven or twenty-eight days respectively (as against three and fourteen days as formerly)

and still be within the legal limit. And attention is particularly directed to the concluding provision as this is very important inasmuch as it enables the trader to substantiate what would otherwise be an "out of date" claim. Considerable argument centred around this eighth condition, the traders submitting, with force and justice, that often enough they are not in possession of the necessary facts to enable them to make their claim within the prescribed period the result being that hardships arose, but now—if this condition is interpreted in a liberal spirit—this long standing grievance will disappear.

Advice Notes to be Sent

An advice of the arrival of a consignment is now to be sent to the consignee as a matter of course. This is provided for by Condition 10 which reads as follows—

The Company shall in every case when merchandise is consigned to a station (which in this Condition includes a siding provided by the Company for general public use) and is not to be delivered by the Company's road vehicle, or barge, or by truck, alongside ship, give notice in writing (or by telephone, if so agreed in writing) of arrival to the consignee, or where his address is not known, or he refuses to take delivery, to the sender where it is reasonable and practicable so to do.

No. 11 defines the period of transit, whilst No. 12 determines the companies' responsibility after the transit has ended.

The Companies to have a General Lien

Notwithstanding strenuous opposition to the proposal on the part of the traders, the Railway Rates Tribunal have decided that the railway companies are in future to have a general lien. Here is the condition—No. 14—as approved by the Tribunal—

Merchandise delivered to the Company will be received and held by them subject (a) to a lien for moneys due to them for the carriage of and other proper charges or expenses upon or

in connection with such merchandise, and (b) to a general lien for any moneys or charges due to them from the owners of such merchandise for any services rendered or accommodation provided in relation to the carriage or custody of merchandise, and in case any lien is not satisfied within a reasonable time from the date upon which the Company first gave notice of the exercise of their lien to the owners of the merchandise, the merchandise may be sold and the proceeds of sale applied in or towards the satisfaction of every such lien and all proper charges and expenses in relation thereto, and the Company shall account to the owners of the merchandise for any surplus.

Some of the new conditions will probably have the very opposite effect from that intended and react on the railway companies who are responsible for their introduction. No. 19 is one of these and reads: "Where loading or covering is performed by the sender, the Company shall not be liable for loss of or damage or delay to merchandise so loaded or covered upon proof by the Company that such loss, damage, or delay would not have arisen but for faulty and/or improper loading or covering on the part of the sender. For the purpose of this Condition merchandise shall not be deemed to be loaded or covered in a faulty and/or improper manner if loaded or covered in the manner directed by the Company." All those who are familiar with goods station work know that in many cases the senders or their agents—their carmen—load the goods in the railway wagons so as to save time and to assist the goods porters who are already fully occupied, but if under such circumstances the responsibility is to fall upon the sender if anything goes wrong—and that is the strict interpretation of the condition—the railway traders will undoubtedly instruct their men henceforth to leave the loading work to the railway companies own men.

Warranty as to Condition of Goods

A warranty as to the condition of the goods to be carried is to be given by the

trader under Condition 20, which reads: "In the absence of written notice to the contrary given to the Company at the time of delivery to them, all merchandise is warranted by the sender to be fit to be carried or stored in the condition in which it is handed to the Company, and not to be merchandise included in the Dangerous Goods Classification or unclassified merchandise of a kindred nature." No one will deny that the railway companies have a right to expect that when a consignment of goods is handed to them for conveyance by

railway it is in a fit and proper condition to be carried, but, of course, this new clause does not exempt the railway companies from liability if they misuse or mishandle the consignment *en route*.

It is not possible in a short article of this description to do more than comment briefly upon the main points of this subject, and the reader is advised to obtain a copy of the publication and peruse its contents very carefully as it contains the basis and essence of all future contracts between himself and the railway carriers.



Correspondence

"Who is the Loser?"

TO THE EDITOR, "BUSINESS ORGANISATION AND MANAGEMENT."

SIR,—In the June number (page 198) you give an interesting example that might be brought about by exchange conditions between two countries, under the title of "Who is the Loser?"

I can, however, give you an account of what has actually happened in fact. The figures given are for the purposes of illustration necessarily only approximate.

A machine was ordered from Germany costing about 200,000 marks when the rate of exchange was round about 600. The original price quoted was somewhat less than above, but when the order was received in Germany, the makers increased their price. Meantime the purchaser had bought from his bankers 135,000 marks (£225) to cover approximately 74 per cent of original cost of machine, the other 26 per cent (Reparations Duty) being payable in sterling when the machine was landed. The machine duly arrived, and Reparation Duty to the amount of £35 was paid to the Government. After installation the machine was found to be defective, and the London agents of the German manufacturers were notified accordingly.

Permission was given by them to purchaser to repair the machine and debit manufacturers with cost of doing so. (The London agents, by the way, were not authorised to handle any cash on behalf of suppliers.) The repairs took some time, cost £70, and were completed when the exchange had dropped to 100,000 marks to £1, which meant that suppliers actually owed 7,000,000 marks to the purchaser, less, of course, the 74 per cent price of machine, *although they had not actually handled one single mark*. The 135,000 marks are still on hand at the bank, but owing to the extraordinary drop in the exchange they have dropped in value from £225 to only a few shillings.

I wonder who has actually gained in this transaction. The manufacturer has supplied a machine for nothing, worth probably £350, while the purchaser has actually laid out £225 plus £35 plus £70 = £320. The £70 he certainly does not hope to recover. Some day the exchange may right itself somewhat, and then the marks lying at his bankers may be of some value. Who knows?

Yours faithfully,

W. M. D.

11 ASHLEY PARK,
ST. ANDREWS, BRISTOL.
7th June, 1923.

The Western Canadian Market

Pointers for British Exporters

By ALBERT A. DOLPHIN, A.L.A.A., A.C.I.S.

British exporters are this year making a determined bid for the Canadian market. The circumstances are particularly propitious. Tariff restrictions have greatly handicapped Canadian trade with the United States, and Canadians are consequently very ready to buy elsewhere. The Canadian National Exhibition to be held at Toronto from the 25th August next to the 8th September, inclusive, provides a golden opportunity to make known the superior qualities of British goods to the Canadian people, and the Federation of British Industries, by inaugurating a British Section, have done excellent service. This article gives valuable first-hand information on the special conditions and prospects of trade with Western Canada—a part of the Dominion which will certainly be a very substantial British market in the near future. The writer has had a lengthy business experience in Canada, and is a very reliable authority.

WESTERN Canada includes the Provinces of Manitoba, Saskatchewan, and Alberta, sometimes known as the Prairie Provinces. One big point worth remembering about these three provinces is that practically nothing is made there and everything imported. The commodities that have a very large sale can be classified under a few general headings, such as: canned and packet goods, agricultural and lighting machinery, automobiles, personal attire, and practically every luxury. Other merchandise can, generally speaking, be obtained much cheaper in the country.

The British manufacturer will ask "How can I get my goods distributed and sold?" Now in order to prepare a successful selling campaign, our manufacturers must understand that they are dealing with a young country peopled by races from every part of the world, each community having its own peculiarities. Goods that cannot be sold in one district might be a huge success in another district. Winnipeg, the "Capital of the West," will quite naturally form the best base for operations.

Until the turnover permits, it would be exceedingly speculative and unwise to consider manufacturing in the Western Provinces owing to the heavy cost of power, caused by freight charges

for coal, but rather ship to, say, Winnipeg and assemble there the goods for transhipment.

Ideal Distributing Centres

There are two or three cities in the West that are ideal distributing centres, owing to their location on the different railway lines, and also their geographical positions in their respective districts. These cities are Winnipeg and Brandon in Manitoba, Regina and Saskatoon in Saskatchewan, and Calgary and Edmonton in the Province of Alberta. Saskatoon in 15 years has grown from a village of 120 people to a city of nearly 30,000 people, and when one looks around the wholesale section of the city it is apparent that the manufacturers are recognising Saskatoon as the coming "Hub of the West." Both Regina and Saskatoon are particularly valuable as distributing and selling centres for all commodities connected with agricultural pursuits. Both these cities are on the Canadian Pacific Railway and Canadian National and connect directly with all the main branch lines to every part of the province.

Study the Human Element

As an example of the western districts, let us study the human element of

Saskatchewan. Nationality and national customs play a very important part in Canada's trade, and to get business in the present day, when competition is very keen, the right goods must be available in the right district at the proper time. The problem involves two important factors: one, the nationality of customers, and the other, the Canadian seasons. The south and western parts of Saskatchewan are substantially Scandinavian, English, and some German; the north-western district and central part is to a large extent composed of settlers of English, Irish, Scotch, Russian, and American extraction. The north is French, German, Russian, and British; they include Canadian born inhabitants, people whose grandparents came to the country, and recent immigrants.

Indians, of course, cannot be included because, on account of their being wards of the Crown, people are prohibited from dealing with them except through the

resident Indian agent of each particular reserve.

Now in order to sell goods, for instance, to a French settlement it is almost imperative, to get any results at all, to appoint a Frenchman as local agent. A little judicious scouting on the part of the trader's representative should give him all the data he needs on this point, which may not appear important at first sight but which will have a big effect on turnover.

Influence of the Seasons on Selling Campaigns

The seasons enter materially in Canadian business, and in certain lines they form the chief factor in dictating the selling campaigns. The selling season of agricultural implements and machinery runs between February and Easter and the end of June to October. Canned and packet goods are more or less steady sellers all through the year. Canadians



A VIEW OF TORONTO, WHERE THE CANADIAN NATIONAL EXHIBITION OPENS
ON 28TH AUGUST NEXT

are big consumers of mechanically packed and preserved foods. An interesting point to note about the weather, particularly with regard to Saskatchewan, Alberta, and Manitoba, is the wide range of temperatures during the year. In the winter-time it drops to around 55 degrees below zero, while in the summer it will go as high as 95 degrees in the shade.

could be overcome by the application of common sense, thought, and system.

I will not discuss the system of water transport to Canada as this is already well understood.

It is after merchandise leaves the several eastern cities that the real problem begins, and *there* is to be found the weak link in our chain. *Our goods seem to fumble their way across Canada.*



A VIEW OF EDMONTON

The Delivery Problem

Let us pass to the question of delivery. This is the American's big point and I very much regret to say—our weakness. Seemingly we have yet to realise that business success depends not on the original sale, but on service and delivery afterwards. It is readily appreciated that from a purely geographical standpoint English manufacturers are at a disadvantage with regard to Canada. But it is one thing to recognise an obstacle and take steps to reduce and overcome it, and another thing altogether to magnify it until it appears to make the proposition hopeless. If British manufacturers seriously tackled the Western Canadian trade problem they would realise that this disadvantage

Instead of their going "direct from manufacturer to retailer" they pass generally through the roundabout channels of eastern and western wholesale houses and business brokers.

A Hint on Packing

There is one point which should be mentioned before proceeding further. Although apparently small, it is important when the cost of packeting commodities is taken into consideration. The point is that Canadian people buy their food and household commodities on a very much larger scale than we do in England. For example, it is very usual for a Western Canadian housewife to buy flour by the 100 lb. sack (or more correctly speaking, 98 lb. sack), potatoes by the bushel, sugar

by the 20 lb. or 50 lb. sack. Tea is commonly sold several pounds at a time, fruit by the box or crate, and so on. This custom should be well considered by firms manufacturing certain lines, as packeting or boxing is no small item with them, and a saving of unnecessary wrappers can be made with a corresponding increase of profit.

Transport Facilities

"Revenir à nos moutons." At the present time transport facilities are such in Western Canada that any manufacturer ought to be able to give efficient service and delivery. There are two great railways, viz., the Canadian National, which includes the Grand Trunk system now taken over by the Canadian Government, and the Canadian Pacific Railway. Both these railways maintain a first class freights service, and an excellent express freights system to all parts of each province. Coupled with these, there is the parcel post system, which is very convenient and suitable for small commodities.

Road transport is at present very undeveloped, owing to the primitive state of the trails, but many of the larger firms run a motor service to limited distances. In any case, by one or other of these methods, a service and delivery can be guaranteed satisfactory to the customer. In the case of merchandise requiring repair parts from time to time, such as motor-cars, machinery, instruments, cooking ranges, etc., it is imperative for manufacturers to be able to back the sales with a prompt and efficient repair part service. The Canadian, generally speaking, is naturally generous, and spends a no small amount every year in repairs and accessories for his equipment, and if he cannot get a spare part when he asks for it he is speedily lost as a customer, for he will not hesitate

to go to a merchant who can supply this service promptly.

Where the Americans Beat Us

This is where British manufacturers compare unfavourably with their American competitors. We remain content with selling our goods, but do not concern ourselves with the customer's future.

Too often have I heard the following remark: "Yes, I agree with you that this English machine is an A1 machine, but what about repairs? I cannot afford to wait until they are shipped from England and they have no branch in Canada." Then the customer goes away and buys an American machine. Take another example. How many English made pianos and organs are used in Canada? I must candidly admit that in nearly nine years' actual residence and experience in the West, the only English-made pianos I have seen were second-hand ones brought over by settlers, and yet Canada is one of the best fields for the sale of such instruments.

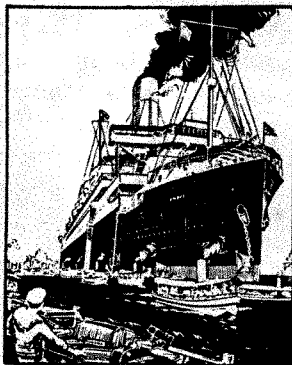
Can any piano manufacturer explain the reason for this? Yes, one weak excuse has been given that English firms are not able to give the service and attention to customers so far away. As a matter of fact, it is no more difficult to sell pianos in Canada than in the town next to that in which they are made, and the question of delivery and service requires nothing more than a good export manager and a system.

Methods of Payment

With regard to the all-important question of payment, a company selling articles of any material value in Canada is, as elsewhere, generally called upon to grant extensions of time of payment. These extensions consist of three general classes, one by way of the usual commercial channels of bills and lien notes,

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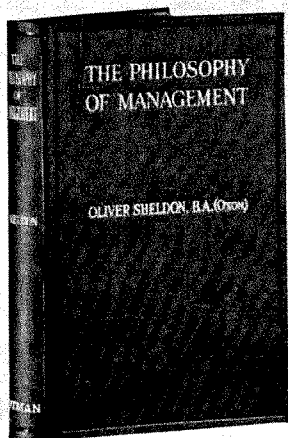
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By **OLIVER SHELDON, B.A. (Oxon)**

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The author presents a panoramic survey of the development of industry, reviews the fundamentals of Management itself, and gives his conception of the responsibility of Management, both to the community which it serves and to the workers of all grades who constitute the human element in industry. The actual organization of the factory, and the two main divisions of Management—the "Personal" and the "Impersonal" sides—are also considered. The author concludes by stating as concisely as possible a suggested creed, as it were, by which the practice of Management in the future shall be governed.

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"This book is for the industrial administrator, for it formulates the plan upon which his activities are based. There is plenty of energy in management to-day, but the results are disappointing. 'Systems' are introduced into the factory, and are speedily modified, due to a lack of co-ordination which is the result of an unsettled policy. *The Philosophy of Management* gets to the root of the matter, and the theories advanced should certainly be put to the test. The book is a study, which must in its turn be studied; and it should be read, not once, but twice or thrice, so that the reader may thoroughly grasp the significance of its message, which cannot fail to broaden his outlook and assist him in his endeavours."—*The Electrical Review*.

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the second, on a system of crop payments, and the third on the hire purchase system.

As the first is self-explanatory, I pass directly to the system of "Crop Payments." This system is used by companies manufacturing agricultural machinery and any others doing business directly with farmers, and the payment or payments depend mainly on the results

cases if the bank says "No," the farmer says "No" too.

The facilities for investigating a customer's credit standing are good and comparatively easy, and in practice generous assistance can be obtained from the local banks.

Of course, payments due in Western Canada depend very materially on the crop conditions and harvest results, and



A VIEW OF WINNIPEG

of the crop when harvested. A lien on the goods sold is taken either by the regular manufacturers' lien, or by registration, as is necessary in Alberta. Payments are generally made to fall due in October or November in each year, the whole indebtedness being spread over a number of Falls (Autumns). The notes bear interest at a satisfactory rate, which rate is regulated and established by the laws of each province. For example, in agricultural machinery, the rate in the province of Saskatchewan is 9 per cent, and in Alberta 7 per cent and 10 per cent. The collection of the notes is usually left in the care of the local banks, who, in reality, are the dictators of the farmers' financial affairs. In most

it is common usage that, in the event of a crop failure, a year's extension until next harvest is allowed. The important point to keep in mind is to see that one is legally protected as to retaining title or security on the goods sold. The laws in each province differ in important details, particularly on the modes of registration, but, after all, this matter presents no insuperable difficulty.

The Hire Purchase System

The third system is what is known as the "Hire Purchase System" of partial payments, and it has been found to be a very popular and satisfactory system in Western Canada.

Practically all merchandise of a domestic

and luxury character sold on credit is sold under this system, including such articles as pianos, automobiles, furniture, instruments, books, and even clothing. The system is very similar to that used in England except that whereas in our system the purchase price is increased to take care of the interest and the total adjusted price spread over a number of weekly or monthly payments without further interest, in the system operated in the West the price is generally the same as for a cash sale, but the payments are covered by notes bearing interest at a substantial rate, mostly from 8 per cent to 10 per cent, and the notes are due at periodical dates irrespective of the dates of payment, the monthly payments being endorsed against the current rate as received. For financial purposes, of course, the notes received form a valuable security for a bank loan and in any case they are a good form of investment owing to the high interest yield.

The Canadian people are good customers, and if treated properly by a firm they prove a most successful advertising medium.

Whichever system is adopted, success is only a matter of judicious planning coupled with diplomatic credit investigation.

A Canadian Office Imperative

The next point to consider is the office intelligence and records required for a Western Canadian trade venture.

To obtain a successful share of Western Canadian business and to collect the paper when due at a minimum expense it is imperative to maintain an office in Canada. The Accounting Department will be organised on usual lines. In the Sales Department should be included the Advertising and Circularising Departments, as these are directly connected with sales. Advertising in Canada has been dealt with in an earlier article, but careful attention should be given to circularising,

which can either be a wasteful expense or a valuable asset to a business house. Strict supervision should constantly be kept of the department's records. For city circularising a directory is essential as a preliminary, and for country circularising an ingenious system published by a printing firm in Saskatchewan is recommended. In this system the whole country is sectionalised on large plans, drawn on a big scale, and contained in a portfolio. On these plans the name of the owner or resident of each farm is placed in a square, and in order that the map may be kept reliable and up to date each subscriber receives a periodical list of corrections and additions.

The Sales Organisation

The appointment of a good sales and prospecting correspondent is the next step, and the character of letters and circulars dispatched will then, of course, depend upon the fertility of his mind and experience.

The personality of the sales manager and of the sales staff generally is of great importance in Canadian business. As far as the company itself is concerned, the average Canadian does not care a cent whether the company has been in existence a hundred years or not or whether So-and-so is president. What he is concerned about is, first, the article he is buying, and next, the treatment and service he will receive from the local office and representative should he decide to become a customer. Pedigree is of no value whatever to a company wishing to operate in Western Canada. It is the personality and abilities of the local representative that count. The enormous success of the large American houses is materially due to the careful and continuous study of this point.

Each salesman should be provided with a loose leaf binder of a convenient size wherein he can insert the prospect and

instructions pages as he periodically receives them from headquarters. A weekly report should be sent in by him to the sales manager which can, if properly used, be of valuable service. The report should be divided under four general headings, viz., 1. Weather, Crop and Business Report in his territory, including any information about competitors and their work that might be of value to his "chief." Too much emphasis cannot be laid on the importance of following the weekly progress of the crop, and the crop results have a dominant effect on Western Canadian trade. The second heading would read "Reports on Prospects Visited." The third "New Prospects" whom the salesman wishes to be served with price lists, catalogues, or other data, and the fourth, "Complaints and Suggestions."

To be square and open with your representatives means a goodwill of immense value. Let them advise on points they may have noticed by practical experience in local districts. Each district has its own peculiarities and it is the local representative that has to meet them.

Be sympathetic with them, and encourage them. Good results will follow, and your competitors will have to get up very early in the morning to "Beat you to it."

The Selfridge Principle in Canada

In conclusion, it may be mentioned that one important principle a large American mail order house keeps almost sacred is "Our customers are always right." This firm does a seven-figure turnover every year, and they find that haggling with a customer over small matters even if the customer is plainly wrong is bad and fatal for future business. By rigidly following the above-mentioned principle, they have retained hundreds of profitable customers that they would without doubt have otherwise lost.

In matters of credit, "personality" of the right kind must predominate. Too many collection managers have the idea that they are employed to give the "third degree," which does very little good and a lot of harm. After all, good customers are the best advertisers. The slogan "Treat 'em Right," well known in Western Canada, gives valuable advice.



British Trade Recovery

THE Board of Trade returns for May issued about the middle of last month show definite evidence of the approach of that recovery in British trade which, because it is overdue, is being so anxiously awaited. Experience has taught us that boom conditions in America are usually reflected in increasing prosperity over here in less than a twelvemonth, and the movement appears to have begun. British exports advanced in May by £8,683,762 over the figures of the previous month, and totalled £71,554,864 as compared with £58,045,353 in May of last year, and £43,088,418 for May of 1921.

Imports amounted to £89,478,996, against £88,725,586 for May, 1922, and £86,275,239 for May, 1921. The movement in imports is slight, but they are in the right direction. The advance is clearer when the figures for the first five months of this year are compared with those for the corresponding period of 1922, as, for example, 1923, imports £449,470,157, exports £319,795,468; 1922, imports £402,953,895, exports £299,615,854. There is good reason for stating that but for the continuance of the political trouble in Europe British trade would have by this time completely recovered from the slump.

Who's Who in Business

The Right Hon. Stanley Baldwin

By ARTHUR S. WADE

It will be widely regarded as a good augury for the future of British trade that another business man has been chosen to succeed Mr. Bonar Law in the highest office under the Crown. This able sketch recalls Mr. Baldwin's business activities, and emphasises the remarkable development of personality which has marked his political career.

THE captious might ask, why include the Premier in a series of articles on business men when his great office lifts him out of the commercial world and sets him apart from it? If I may be frank, I would answer that question by saying it takes a very superficial view of a very simple matter. Mr. Baldwin has always been a business man, and something more. He has never been a business man in the sense that calls up haggling and bartering for pure gain. By reason of good fortune, temperament, and education he has always been above the battle of the market place. But in the large way he has been, is, and cannot now avoid being a business man; and I have no doubt that we shall all benefit by his application to statesmanship of the peculiar kind of sagacity which large industrial matters develop in men of education and temperament.

An Amazing Development of Personality

In all the mass of newspaper matter which has appeared recently about Mr. Baldwin one misses that proportion and balance which is particularly necessary when we write of a Prime Minister. Writers and Parliamentarians have talked as if they had always regarded Mr. Baldwin as a great man. I have watched

Mr. Baldwin's career, I have read back into his history, and I think there is nothing more amazing in political history than his sudden development during the past few years. I think there was a time when he was rather apt to adopt the superior person tone a little, or the unctuous, or even the aggravating. Remember his rather Pecksniffian attitude in 1911 to the payment of M.P.'s when he was saying: "I hate the idea of it. No one can make me spend it on myself; I would not touch a penny of it." From Mr. Baldwin's other early political speeches it is easy to show that he was not always the big, broad personality he is to-day; he has grown amazingly.

Unrecognised by the Prophets

A man grows in public service just as a man grows in his profession: none of us takes up any real task in life fully fledged for its performance. Mr. Baldwin at the beginning of his parliamentary career was different from the Premier of to-day; he was so different as never to give promise of developing into the man he has become. Now, this is rather remarkable. In Mr. Lloyd George's case the prophets foretold early in his career that he would lead the Commons. They did so early in the career of Joseph Chamberlain. Mr. Bonar Law was

picked out as Tory leader years before he led. But you may search the parliamentary reports and sketches for all the years of Mr. Baldwin's presence in the House up to a few months ago and you will not find a single forecast that he would become Prime Minister. For the first seven or eight years of his political career he was very much of a political nobody. Whatever influence he had in the party he belonged to, he was of no special account in the larger world.

A Political Miracle Explained

Those are the plain facts; and they make it something of a political miracle that he should now be Prime Minister. What is the explanation? I think, if one looks back through his speeches, one finds that Mr. Baldwin is one of the men who have kept on growing, one of the men who, in Dr. Johnson's phrase, developed late. Some time during the war the attitude of his early political days dropped away, and to the public service was devoted powers the scope of which his colleagues and even he himself had not realised. Minor office and major office enriched his experience, and the sagacity he had unconsciously acquired and strengthened in his association with the great firm of his family—Baldwin's, ironmasters and colliery proprietors—and with bank and railway directors' boards, came to exert itself in a wider field with marked success. The hidden,

deep personality expanded in the atmosphere of parliamentary responsibility, and one day the prophets awoke to find the man they had forgotten was famous.

The Value of Sentiment

An element of human kindness and sentiment, rare in politicians but strong in great industrialists and business men, persists in Mr. Baldwin's character. It is seen in his deep attachment to his home county, to his beautiful country home, to the people, great or small, who have companioned his early days. It is seen in his love for his briar pipe. This is the day when sentiment is decried, satirised, sneered at. Yet Mr. Baldwin is an example of its value when disciplined by a strong intellect. Personality is impossible without some admixture of this deep psychological stream with our will and



Photo Elliott & Fry
* THE RIGHT HON. STANLEY BALDWIN

intellect; it is the force that makes the waters run freshly and break new channels. In Mr. Baldwin's career it has come out both in confession and in deed; and it has been linked with generosity and love of his fellows. What inspiration, for instance, could have been happier than having among the guests at his daughter's wedding the 82-year-old coachman and his wife who had watched the progress of his boyhood? What cry could come from deeper sources than his confession that he often has felt that he would like to throw up

public work and return to the hills and streams of home? And how many of us are there who do not respect the courage that overcomes that wish?

His Biggest Achievement

In a business magazine it is fitting to stress the fact that the biggest thing Mr. Baldwin has done so far was one that required a very large business sense and a complete diplomatic equipment. There is no doubt that it was in the settlement of the American Debt arrangements that he revealed his full powers. That visit to the United States showed that his manifold education for affairs—compounded of what he had learned at Harrow, at Trinity College, Cambridge, and afterwards in the control of great industrial and financial concerns—had consolidated and had become an effective implement for international policy. He knew men and facts, and how to influence the one and control the others. The direct-minded Americans at once took to him. Mr. Harvey, the American Ambassador in London, spoke with admiration of him, saying that since Mr. Bryce no Englishman had won such favourable opinions from Americans. He settled the funding of the debt—not without a fight with some critics at home—and everyone sees to-day that this great work has done more for the prestige and prosperity of England than any other single act of policy since the war.

His Healing Policy in Industry

The Americans like a “human” man.

In Mr. Baldwin we have that type, and, of course, he has a sense of humour which is always given as a corrective to the man whose feelings are deep. I would like to write of the manifestations of his humour and good feeling when he was Chancellor; but in this place it is perhaps better to recall a speech of his to business men two years ago. He then told of the time when he entered Baldwin's and knew hundreds of workers by their christian names. The drifting apart of masters and men, he said, which had been associated with the formation of bigger industrial undertakings, was bad for both. He advocated that the working people should be taken into a partnership of intelligence with the employers. What a healing policy this would be if the humanity of the words could be translated into conduct!

A Good Pilot for a Rough Passage

To-day everybody in the country is looking to the keen, clean-shaven, sturdy man at the helm for good navigation through the rough seas in front. Reparations, inter-allied debts, disappointed and restless peoples, smouldering international hatreds, and home conditions which are not too happy—these are all in the course of the ship of State. Mr. Baldwin knows the immense dangers and difficulties; and I think it was that knowledge which inspired him to say to the people who were offering him their praises: “I need your prayers more than your congratulations.” Those reverent words need no stress.



Many business firms regularly subscribe for several copies of this magazine for the use of their staffs. Draw your business friend's attention to it.

"Breaking the Ground" for Travellers

By MAX RITTENBERG

What is a traveller's time worth? How much does it cost his firm for each call he makes? How far can his time be saved by the posting of explanatory literature in advance of his calls?

THE figure of cost would naturally vary with different firms. £2 5s. per working day, including salary and travelling expenses—but exclusive of commission—would be near the average mark. And if he managed at every call actually to see the buyer, he would be doing well to make eight effective calls in the course of the working day. This would mean over 5s. 6d. per call.

Where the traveller is required to introduce new lines rather than take repeat orders for well-known lines, the time he would spend in properly explaining this proposition would lessen his calls per day, and the average cost per call would be higher.

How far is it possible to save valuable time for the traveller by postal introduction of the line?

The Traveller's Secret

A certain firm were intrigued to know why one of their travellers invariably managed to head all the rest in sales results. He was "close" on the subject, preferring to keep his method to himself, and it was only by accident that the firm discovered that this traveller was doing for himself what they should have done for him and for the rest of their sales force—that is, sending in advance to the retailer a folder outlining the proposition.

This shrewd salesman made a habit of arranging that his communications reached his list of prospects three days in advance of his calling. He had them delivered by messenger. The messenger would come briskly into the retailer's shop,

look around for the most important-looking man in the place, hand him a long sealed envelope, and disappear without further word. And of course the envelope contained the salesman's advance message—in the form of a folder used by the firm in small quantities, which he had had reprinted at his own expense.

When the traveller called on his prospect three days later, he made no mention of having sent a message in advance, but he knew it was in the retailer's mind, because of its unusual method of delivery, and he knew that the ground would be broken for him by the contents of the folder.

That was the secret he kept so close to himself—and naturally it was a method which could help *all* the firm's travellers when applied on a broad scale.

"Breaking the Ground"

There are other travellers who make a habit of devoting some of their evening time at a country hotel, or some of their train time, to writing advance letters to the people they intend to call upon a few days later. Such a letter may outline the special reason for the visit—or it may be just a friendly "shake hands" designed to create a favourable hearing for them when they arrive.

Again, other travellers make a system for themselves of studying the hobbies of their customers; cutting out clippings from newspapers and journals which are likely to be of interest; and posting them to the customers. This naturally helps to build goodwill.

And if the individual traveller has proved that it is profitable for him to spend his own money in such methods of "breaking the ground," then it is a reasonable deduction that a number of firms would find it profitable to do the same kind of thing for *all* their travellers.

When Advance Literature Hinders

Some houses do—and successfully. Others find a practical difficulty. Take the case of a certain firm which manufactures and markets a peculiar specialty—a piece of equipment highly useful in the buying departments of scores of different trades, but somewhat expensive and embodying a new practice in business.

This is emphatically a proposition which must be sold by specialty salesman, men fitted by nature and training to break in and see the responsible executive of a firm, and able to bring off "difficult" sales. Ordinary travellers cannot sell this specialty at a profit. It needs the man of unusual selling ability.

In this special case, it has been found that the effect of sending advance literature has been to delay or prevent the specialty salesman getting in to see the head of the firm. A message is likely to come out to him to this effect: "We know all about the proposition from your literature, and do not need to discuss it with you."

The case is exceptional, but it needs to be mentioned in a sober analysis of methods of "breaking ground." It is a point to be considered. With articles of a more staple nature, however, advance literature has been found in a great many cases to be of definite help and time-saving value to the traveller.

Picking up Orders in Between Travellers' Calls

A manufacturing or wholesale house may give each traveller four or five hundred good names in his territory,

and expect him to call on them four, five, or six times in the course of a year. This may be sufficient to gather in the trade if the retailer is accustomed to replenish stock four, five, or six times in the course of a year.

But many retailers like to buy once a month—especially during "bad times," when they want to avoid carrying too much stock and so tying up a slender working capital. They prefer to order small and often.

These are cases where the traveller who arranges his route for a call every two or three months is likely to lose possible trade. "In-between orders" go to the travellers of rival firms.

With this in mind, some firms have definitely set out to create a mail-order department which will call on the retailer—by letter and printed matter—in between the traveller's visits. They base their plans on a study of the following basic facts—

1. Size of average order received by travellers.
2. How often the retailer is accustomed to buy.
3. The seasonal variations in the sales of various goods.

The amount of money to be spent on postal selling, the nature of the selling letters, and the *timing* of them, will depend on a careful study of these facts. A successful application will need the willing co-operation of the force of travellers.

It is usual to credit the traveller with commission on *all* sales coming off his territory. Otherwise friction ensues.

The "Call-Back" Letter

The traveller is often put off by a customer with the phrase, "Call back again to-morrow," or "Call back again next week."

This may, in some cases mean considerable inconvenience to the traveller,

especially if he is covering a big territory, has his route mapped out, and will be out of touch with that particular town in a week's time. The customer does not care to explain why he wants to put off the decision of ordering, but generally it means that he either wishes to consult with a partner or a business friend, or maybe his wife; or else he is feeling "out of sorts" and does not care to make decisions on that particular day; or else his finances are "tight," and he wants to see whether next week will bring in a sufficient amount of the money due to him from his debtors.

If the traveller cannot conveniently call again at the time asked for, then this is the occasion for the "call back letter," to be sent out by his head office—a letter designed to continue on with the sale which has been started but not concluded.

It is advisable for the head office to have several types of these letters available, and to mail them out directly the traveller asks for them to be sent—mentioning which one he wants by a distinguishing letter or number.

As to its tone, the assumption should always be that the customer has not been discourteous to the traveller in refusing to make a decision. His reason may be one of those outlined above. And therefore it will be entirely in place to begin a "call back letter" by thanking the customer for his courtesy in seeing Mr. So-and-so on such-and-such a date; and then continuing on from the point where the traveller left off.

This type of letter has proved definitely valuable.

"Dealer Helps"

The brief term "dealer helps" includes everything which is designed to assist the retailer in moving goods sold to him—and therefore *helping the traveller to make wider sales*—

Interior. Showcards, cut-outs, explanatory leaflets and booklets.

Windows. Showcards, cut-outs, window



ILLUSTRATION 1.
TO "SELL" A SPECIAL DISPLAY TO THE RETAILER

stickers, window signs in metal and enamel, advance proofs of large newspaper advertisements, "display stunts."

Outside. Form letters and selling literature for posting to the retailer's prospects.

While any or all of the above can definitely help the retailer, it is not to be assumed that he will take such advertising matter with open arms. On the contrary, a large number of traders feel that showcards, etc., are solely for the manufacturer's good, and that they are doing an actual favour in displaying them.

Because of this feeling, it is in many

cases essential to "sell" the retailer the idea of displaying the manufacturer's showcards, etc., and displaying them well. He had to be convinced that it will mean profit to him. ("Profit" is, of course, 95 per cent of the possible selling arguments to the retailer.)

Illustration 1 shows part of the front page of a large folder, size 14 ins. by 21 ins., printed on stout paper in black and red, addressed to retail grocers. It deals with the offer of a free window-display, involving expensive material. In the text inside, it is stated that the original sketches and drawings alone cost over £500, and that the manufacturer has invested over £10,000 in sets of these window displays to be lent to retailers during the year.

Although this is a FREE offer, yet it has to be "sold"—and sold very hard—to the retailer, because the latter naturally feels that his window space is very valuable, and that he will be doing a big favour to the manufacturer if he devotes it to the manufacturer's goods, even for a few days. Almost everything that can possibly be said to induce the dealer to take it and use it, is said in this folder—and the points are so comprehensive and are so well put, that they are of very general application to manufacturers with the same problem to solve: Therefore we reproduce the salient points. Besides emphasising "simplicity"—

1. *Mentioning Past Results.* "Last year's window display was a winner. Never have we put out anything which met with such enthusiastic response—that dealers found so resultful. But striking as last year's display was, the new Display far surpasses it in sales-making power."

2. *Emphasising the FREE Offer.* "Many manufacturers make a charge for material of this kind, as it is very expensive. But we offer it without cost—on the understanding that you will use it and return it to us. We have actually invested \$50,000 in this, to help you sell the goods you buy from us."

3. *Pointing out what such a Display would Cost the Retailer Individually.* "Consider what this display would actually cost you if you attempted to duplicate it yourself. The expense would be prohibitive. The original sketches and drawings alone cost over \$2,500, yet with this powerful

display the smallest shop can show a handsome window."

4. *Suggesting the Thought that Competitors will take it up if the Man Addressed will Not.* "Suppose your competitor was using this instead of you. How would you feel? The opportunity is yours, to use or to waste."

5. *Linking up the Retailer's Shop with National Advertising.* "To make this display more effective and valuable for the retailer, we are reproducing it in striking colours in many of the leading women's publications. This is costing us thousands of dollars, but it acts as a powerful trade-stimulant—and progressive retailers will, for this reason, be keen to have the display, and be identified with the campaign."

6. *Reproducing Testimonial from a well-known Retail Grocery Store.* This letter is reproduced in full, and contains the paragraph: "A very interesting effect is that the most considerable volume of our sales during our Pure Food Show were traced direct to your window displays, which, because of the character of the products represented, gave an exceptional standard to the entire sales event." This came from an executive of the provision department of a very large well-known departmental store.

The force of travellers are of course shown this folder sent to the retailer, and are instructed to push home every argument contained in it when they call on their trade. A special piece of literature for the travellers brings out this point—

"Think of it! 3,580 new accounts opened by Armour Salesmen through featuring the Institutional Window Display last year. Travellers working out of one Brand House started over 100 new shops handling Armour products, by talking up this Display."

"These men have broad vision. They see the possibilities. They realise that by showing the retailer how to display goods after he has bought them, they multiply sales-power both for the retailers and for themselves."

Another very interesting type of "dealer help" issued by the same big firm is a series of monthly "bulletins"—messages in folder form addressed to the retailer, with the aim not only of featuring the goods manufactured by the firm, but also of definitely helping the retailer himself in his own business.

Illustration 2 shows one page of such a bulletin. The inside of the folder goes on to deal with the matter in greater detail.

Over here, one would have to proceed much more cautiously in sending such matter to the retailer, because he is not

usually wide-open to ideas about his own business—but there are possibilities of *adaptation* to British conditions; and this mode of appeal to the retailer is well worth considering by a large manufacturing firm.

It is much more usual to supply him with showcards and window material. This is so much a matter of routine with most manufacturers that it scarcely needs enlarging upon. All the advertising material must be supplied free. The only thing that the retailer is willing to pay for is advertising in the local papers, when the manufacturer supplies him gratis with suitable electros, in which space has been cut out for insertion of his name and address.

An interesting extension of this idea is the offer on the part of a large American wholesale house, not only of ready-made electros for a complete small advertisement, but also a "Cut, Copy, and Lay-Out Service" (see *Illustration 3*).

This means that the firm have designed half-a-dozen large drapery store advertisements with separate "editorial matter" for each; and have so arranged blocks and pieces of copy and general lay-out, that they could easily be fitted to the advertising needs of almost any provincial drapery or house furnishing store, large or small.

The appeal is, of course, to the provincial firm which does not possess a highly-organised advertising department of its own, and might be glad of the

help of expert brains on this type of service.

Regarding interior and window display matter in general, let it be mentioned again that the average retailer does not

Expense Statement

- Rent
- Salaries and wages
- Heat, light and telephone
- Insurance
- Interest
- Taxes and depreciation
- Store equipment repairs, renewals and depreciation
- Bad debts and collection
- Shrinkage and spoilage
- Advertising
- Stationery and office expenses
- Deliveries
- Ice

Guiding Your Business Past Danger

IF YOU had a good chance to sell your store tomorrow, would you be able to give your prospective purchaser an accurate statement of the business? Would you be able to tell him how much you took in weekly, exactly what it cost you to do business, whether it paid or cost you money to make the number of deliveries that you do, what your stock is actually worth, how many stock turns you made in a year, and what your percentage of profit (or loss) was?

Even though you have no intention of selling out, these are things you should know about your business. The value of *accurate records* lies in giving you the right kind of information on which to run your business. And only *accurate records* will give this information.

They show you what is right and what is wrong, and if anything is wrong enable you to take steps to change it immediately. Many merchants are doing business at a loss right now and don't know it! Can you tell by your books whether you are?

ILLUSTRATION 2

PART OF A MONTHLY "BULLETIN" FOR THE RETAILER

welcome such material with open arms. He is likely to have manufacturers and wholesalers pushing it at him every week of the year—and what is thrust at a man gratis is likely not to be appreciated.

Many firms adopt the practice of not sending out "dealer helps" unless they have a written request by letter, or a verbal request through a traveller, for so many pieces of such-and-such material.

This rule is sound.

A type of "dealer help" which is less frequently used, but is likely in many cases to be highly valuable, is the sending

cost to the manufacturer. He pays for the cost of advertising in the local papers when the manufacturer supplies the electro, and in this case bears much more than half the expense. Therefore it is entirely fair to ask him to share the cost of a postal campaign.

It is not only a question of the money, but also of getting a *thoroughly selected list of prospects*. If the trader is not taking half the cost on his own shoulders, he will be very liberal with the names and addresses of the people to whom he wants the letters sent. Whereas, if he is bearing part of the cost, he will be careful to eliminate all but the most desirable—thereby saving expense on the mailing shot, and giving the manufacturer the prospect of a much better return for his money.

It should certainly be a rule in such postal campaigns that the expense be shared by the retailer—and if he is unwilling to do so, the proposition is likely to be a losing one for the manufacturer.

The method of splitting of expense found to be most practicable is: Manufacturer supplies form letters, enclosures and envelopes, retailer fills in name and address on letter; addresses envelope; folds, encloses, and mails; and pays postage (or, delivers by hand).

Marshall Field & Company, Chicago

Cut, Copy and Layout Service

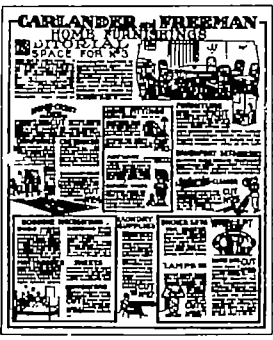


CHARLES DEIMER & COMPANY
Grand Showing of Women's Apparel for Easter

EDITORIAL NUMBER ONE
Splendid indeed is the showing of smart fashionable Easter coats made and shown by us at the Deimer store this week. For excellent quality and low prices the offerings we had on this page surpass all our previous efforts. Come in early so you may pick from splendid assortments.

The Easter Season is one of the most active merchandising periods of the year and the merchant who best shows his wares through advertising is usually the one whose store quickly assumes leadership in the community.

Many merchants have difficulties in preparing their advertising matter—in securing illustrations at reasonable cost—and in order to assist them in this most important feature of their business we are this month presenting six page advertisements, with an electro-



CARLANDER FREEMAN
HOME FURNISHINGS

EDITORIAL NUMBER THREE
We are able to guarantee to our Spring sale at Home Furnishings prices that will surprise you when the quality of the merchandise is considered. For values like these you can find in the home we have merchandise bargains. Our line of household goods is remarkably varied and for display we offer pictures of most beautiful designs.



THOS. D. IAIN & COMPANY
PATTERNS OFFERING

EDITORIAL NUMBER TWO
The appearance of our store throughout branches the Spring and Easter Season. In no previous year have we been able to show such charming effects in millinery and suitcases. Every article reflects our endeavor to offer only merchandise of the highest quality. Visit the Lane store today. We are prepared in all departments to give you service.

EDITORIAL NUMBER TWO
The appearance of our store throughout branches the Spring and Easter Season. In no previous year have we been able to show such charming effects in millinery and suitcases. Every article reflects our endeavor to offer only merchandise of the highest quality. Visit the Lane store today. We are prepared in all departments to give you service.

ILLUSTRATION 3
VERY USEFUL LAY-OUTS

of properly designed selling letters with printed enclosures to the retailer's prospects, inviting and urging them to call at the retailer's showrooms and inspect the goods.

This is a selling campaign on which the retailer should, in equity, pay half the

Self-Organisation for Business Men

IX.—The Creation of Ideas (Part I)

By MORLEY DAINOW, B.Sc. HONS. (LOND.)

Director of the London Institute of Applied Psychology

Two months ago I showed you how to form practical judgments, how to get the best out of experience, to be an adept at order, a master of things. Last month I showed you how to form theoretical judgments, how to understand the inner meaning of experience, to be an adept at reason, a master of ideas. But ceaseless and exhausting competition demands more than a mastery of what already exists, it demands the bringing into existence of still better ways, of ways not yet heard of, of *newer* ways. To produce these you must be original, creative ; you need to acquire the power of making original judgments. I show you how.

The Function of the New

WE must never keep still, for keeping still is against the most fundamental law of life. The essential point about all living things is that they always move, either wholly or partly. Movement, however, is not enough for progress. We must move forward, and in the right direction, otherwise we shall be simply skidding round in a circle. Reasoning gives us the right direction, but the energy causing us to move forward is due to something deeper. Exceptional situations, failures, defeats and their resulting problems, such as an unexpected and continuous drop in our sales, an inexplicable falling away from a high degree of skill in our craft, a chronic repetition of irritating incidents in our managerial province—all baffle us. They are spurs to further effort. We must get a move on. Our sagacity abstracts all the essentials

of the problem ; our learning classifies and synthesises these essentials ; but still we are far from solution. There is still something further to be achieved, something that will *not merely give solution but future guidance*. It is not enough to turn to the old, to our experience and to our knowledge, for we have squeezed out all we can from the former by sagacity and from the latter by learning. We shall not find *all* we want there. We must have something new. If must be something that we *newly* abstract from what is outside us or *newly* give out from what is inside us, a something that will not merely give solution to our perplexity, but that will if possible prevent future perplexity. Our desire for this is deep ; our search is earnest ; and these cause our move forward.

Two Illustrations : Sales and Organising

(a) A Salesman's Problem

You are Tom Brown Straw, a seller of, amongst other things, tooth-brushes. Your immediate job is to open out in Newtown. You get to Newtown and find that the High Road has seventeen suitable shops. You call on Jones and find seeing him impossible. You are told that Mr. Jones is out, and that the manager

cannot see you. Thirty yards down you try Brown. Mr. Brown receives you in a most genial manner. He calls you into his office and keeps you for an hour talking about his own hobbies. Every time you mention your goods you set him off on one of his pet interests, but eventually, becoming impatient, out you go. Forty yards down you call on

Smith. Mr. Smith sees you at once, but he is very serious and precise. He asks you, with a fixed glance, the price and quality of your goods. You tell him. He replies that he caters only for two types of customers, the wealthy who buy expensive and durable tooth-brushes, and the poor who buy so called cheap and worthless tooth-brushes. He informs you that your tooth-brushes are too poor in quality for his wealthy customers and too dear in price for his poor ones. You are too surprised to reply, and he wishes you "Good day!"

You are faced with three distinct problems—the elusiveness of Jones, who gave you no opening; the loquacity of Brown, who gave you too many; the strength of Smith, who smashed your two openings of price and quality. You have got to sell your goods. You have got to sell them to individuals who either elude you, talk you out or confound your arguments. You have sold nothing so far. What has gone wrong here? That is your problem.

(b) *An Organiser's Problem.*

You are John Steel, one of the joint

general managers of a large concern. You control five departments. In one department a certain Arthur Iron Westbury has been making excellent progress. He has now been head of his department at the head offices of the concern for two years. You have found him most reliable in every way. One day you receive a demand for a strong, sound man to manage a department of the firm in the provinces. You are asked to advise upon the choice of a man for the post. You suggest Westbury. The partners and the other managers cordially approve your choice. Westbury goes to the provincial post with your hearty and hopeful good wishes. You feel sure he will do well both for the firm and for himself. But in six months this man, who was so splendidly successful as a department head in the head offices, fails miserably as the chief of a provincial department. It is part of your job as a manager to get the best out of each member of your staff for the good of your house and for the good of the member. You appointed this man but he has given bad service. What has gone wrong here? That is your problem.

Two Methods of Enquiry

(a) *Your Tools*

Both problems involve things. The things are: goods and shopkeepers in the one case, and men and work in the other. Both problems involve ideas. The ideas in the one case are quality, price, sales value of goods; nature of, and method of, approach to shopkeepers. The ideas in the other case are the qualities of a man (such as leadership, confidence, reliability), and the qualities of the work (such as administrative, commercial, technical). Both problems involve the relationships of things and ideas, or judgments, such as: "These tooth-brushes are the finest quality in the world at the price," or,

"This man is the best manager we have." Both problems involve reasoning such as: "Why is this tooth-brush the finest in the world at the price?" or, "Why is Westbury the best man for the post?" We have all these. How can we throw light on the problems by their aid?

(b) *"The Things" as Guide*

We can say of the things we use in our problems that in our experience of them we have abstracted ideas and found permanent reasons (or laws or principles). The salesman can, for instance, say—"Jones is impossible for he won't see travellers; Brown is impossible for he

wastes a traveller's time; Smith is impossible for he is too clever for travellers' talk." He can, as a result, decide to avoid such buyers in the future.

The organiser can, for instance, say—"Westbury is a failure because while he can work well in the head office with all the tradition, the atmosphere, and the huge organisation behind him, yet he cannot work at all well when away from these surroundings." He can, as a result, decide that Westbury must never be promoted above his former post at the head office.

The salesman from his experience has abstracted certain ideas about Jones, Brown, and Smith, and the organiser has similarly behaved about Westbury. They have both jumped to conclusions from experience, from dealing with things.

This method is quick and practical, and is usually called the *inductive* method. It is the acceptance of order by calling it reason. Most practical men argue this way. But in this method there has been no *comprehensive* attempt to grapple with the *whole* problem. Induction is inclined too much to accept a few apparent failures as a mark of permanent defeat, and a few apparent successes as a mark of permanent triumph. It is the method so admirably used by the great Sherlock Holmes, but Sherlock Holmes was not a real detective, he was a paper one. If he were a real detective, Sir A. Conan Doyle would be employed by the State solving the problems of the living rather than employing himself chasing the imaginary problems of the dead. Induction makes the thing, the experience, the particular case, the future guide. It is a useful method, but is apt to over-emphasise experience.

(c) "The Ideas" as Guides

The salesman may have failed because he went to his work with a certain idea in his head that as Jones, Smith, and

Brown sold tooth-brushes they were bound to buy his tooth-brushes as well. The manager may have failed because he always had the idea that success at the head office was bound to mean greater success in a provincial office. If this were so they would both be using a fixed idea (a reason, a law or principle) by means of which things could be estimated. Here the ideas are the guide and not the things, the lessons of experience and not the experience. This method is usually called the *deductive* method. Most theoretical men, such as philosophers, clergymen, scientists, judges, and barristers argue in this way. It is a very useful method, but apt to under-emphasise experience.

(d) The Best Method

To combine *induction* with its consideration of experience (of things, of order) with *deduction* with its consideration of the full meaning of experience (of ideas, of reason) will help us to get to the root of any problem, the cause of any failure, and to bring forth possibly something new as a result.

(e) Application

1. The Salesman's Problem

Induction tells him that he has failed in not getting closer to Jones; that he has failed in getting too close to Brown; that he has failed in not being able to reply effectively to Smith. *Deduction* tells him that *before* he interviewed either of these he should have had clear ideas, fixed ideas, laws, principles, as guides in at least three directions: himself; the goods; the customer. His bearing should have been confident and compelling. He should know all about his goods, believe in them, and be ready for any unfavourable criticism. He should be prepared to vary his approach, if necessary, according to the idiosyncracies of each customer, so as to solve the elusiveness of

Jones; sternly limit the loquacity of Brown; reply effectively to Smith by pointing out that the tooth-brush in question will attract a new type of customer, the middle class, which likes to combine high quality with reasonable price, which combination is excellently exemplified in the article he is selling.

2. The Organiser's Problem

Induction tells him that the man from the head offices can be a failure in a provincial office. *Deduction* tells him that he should have had certain ideas about the work and the man before choosing a candidate. He ought to be able to enumerate the qualities necessary for success in the post in the provinces, and a few of these would probably have been: great self-confidence, acceptance of responsibility, reliability, leadership. He ought also to be able to say of a chosen candidate whether he possesses these qualities. In future, therefore, not only *induction* alone, or the experience of success in the head office, but *deduction* also, or the principles of success, both in the man and in the job, will guide the manager's choice.

(f) Conclusion

The use of induction and deduction by the salesman will cause him not only to solve his immediate problems, but to think out new and efficient methods of salesmanship. His judgment by induction was practical, by deduction was theoretical, and by both has become complete and leads to *new* possibilities in sales work. It has become original judgment.

The use of induction and deduction by the manager will cause him not only to solve the immediate problem, but to think out *new* and efficient methods of finding the right man for a job. His judgment by induction was practical—that Westbury was a failure; his judgment by deduction was theoretical, that

two principles must be settled before any important appointment is made in the future, the essential qualities necessary for the post and their existence in the proposed candidate. Both by induction and deduction he is impelled to substitute some form of test or guidance to meet this new end. He therefore introduces a *new* method. He has acquired the power of original judgment. He has become original, creative.

QUESTIONS: SET IX

(NOTE.—No answer should take less than nine minutes or be expressed in less than ninety words.)

1. (a) What is your opinion of Tom Brown Straw as a salesman?
(b) How can he help himself to solve his difficulties?
2. How can you account for Arthur Iron Westbury's failure, assuming that condition colleagues, and business were the best possible?
3. (a) What is Induction? Give one illustration.
(b) What is Deduction? Give one illustration.
(c) What value do you obtain by using them together? Give one illustration.
4. (a) Distinguish between practical judgments, theoretical judgments, and original judgments.
(b) Does this question differ from question 3 (a)? If so, how?
5. (a) How would you deal with Jones?
(b) How would you deal with Brown?
(c) How would you deal with Smith?
(d) What would you do *now* with A. I. Westbury?
(e) How can John Steel improve his judgments of work and men?
6. (optional) King Solomon said "There is nothing new under the sun." What do *you* think about this?
7. (optional) Is there any business, technical, administrative, literary, or personal problem that has completely stumped you? If so, would you like advice upon it? If not, can you answer this question "Which came first, the hen or the egg?"

Answers to these questions, enclosing a stamped addressed envelope, should be addressed to Mr. Morley Dainow, c/o BUSINESS ORGANISATION AND MANAGEMENT, 39 Parker Street, London, W.C.2.

Answers to Correspondents

Woman's Intuition.

K.A.B. (Hampstead).—To state that this is correct in *every* instance is too sweeping. To see what some women marry suggests that this intuition can be often incorrect.

(Other Answers unavoidably held over.)

Preventing Fatigue in the Workshop

The Shading of Glass Roofs

By GRAHAM N. WARNER, M.A., F.S.A. (Scot.)

MODERN research into industrial fatigue has revealed, among many other things, the fact of the incalculable importance of atmospheric conditions in the workshop. The investigation of these latter has, in turn, led us to see the tremendous importance of the relationship between heat and light, and the further our investigations have been carried the more subtle has the relationship been seen to be, and the greater the necessity for observing and calculating carefully the influence of the one upon the other. As a consequence, many problems of organisation have pressed forward demanding resolution. In this article we shall deal with one of these, one very highly important, but one which organisers of industry have failed to face as they should have done. Our immediate problem, then, is, how to prevent excess of heat during warm weather in premises roofed with glass. The problem is a highly complex one. In seeking to answer it fully many, seemingly irrelevant, features have to be considered. What has scientific investigation to say on what is, apparently, the most simple and obvious part of the problem, but in reality the mainstay of the whole solution, the means and methods of shading the glass? The necessity for shading the roof has been generally recognised and equally generally got over by the application of a layer of limewash on the glass, but it is agreed that this method leaves much to be desired.

Objects of Shading

It is necessary, therefore, to consider what presuppositions are involved in

this or any other method. There is a purpose presupposed, and this is found to have two aspects—

1. To lessen the glare which would come from the rays of the sun coming through the glass, without making the supply of light inadequate.

2. To lessen the intensity of the heat.

In recognising these presuppositions we also recognise the real requirements which must be kept in view, namely, (1) that while the *glare* of the sun should be reduced to its minimum the supply of daylight should be such as to afford no sense of discomfort to the operatives. The heat also should be reduced to its minimum possible.

From this point we must consider—

(1) *The requirements of the operative.*

(a) For the utmost production possible ;

(b) For continued production through the working day ;

(c) For continuity of production.

(2) *The desirability of obtaining these.*

(a) From the operative's standpoint ;

(b) From the employer's standpoint ;

(c) From the general standpoint.

Having examined these we must consider how far such requirements are met by the ordinary method, and the considerations which lead us to seek for a better method, and how far the method which our investigation has led us to suggest will fulfil the requirements which have been recognised.

(1) *The Requirements of the Operative*

(a) *For the utmost production possible.*

If the workman or woman is to give of

his or her best then it is essential that there should be an adequate supply of light and that the light should be regularly distributed. But not only so, the atmosphere within the workshop must be such that there is no sense of fatigue or "stuffiness" experienced. Generally speaking, we can tell on entering a workshop the condition of the atmosphere. Where the atmosphere is dull and stuffy manifestations of this fact are seen before the operatives have been long engaged in work—generally in yawning. This proves conclusively that the organism is not in a condition to respond to stimuli in the manner calculated to produce the best work. It is caused by a passing slight anaemia of the brain; the blood vessels dilate, and the blood is as though stagnant in the small veins. Action becomes necessary to set the blood in motion again, e.g. stretching the arms. Such manifestations of fatigue indicate that the atmospheric conditions are conducing to physical weariness.

Eye-Fatigue

These requirements are seen to be particularly applicable to (b) *continued production over the working day* and (c) *continuity of production*.

If the operative is to be enabled to carry on at a steady rate through the whole working day then he must work in conditions in which fatigue-producing qualities are present only in the minimum degree. If there is any strain on vision one important, and dangerous, outcome will arise in the course of the working day, namely, eye-fatigue, and if the conditions conducing to this are continued then, as we often find, symptoms of asthenopia manifest themselves, and the operative may after a time be compelled to cease working and seek medical advice. Other equally distressing results are also found.

Dispositional Fatigue

But further results have also been obtained. It has been seen that, where the atmospheric conditions apart from or in addition to the direct defects of lighting are concerned, there is a dispositional fatigue. This is sometimes found expressed in the statement, "I'm tired before I begin," and it will very often be found to indicate not merely that the organism has not sufficiently recovered from a continued strain but that its recovery is being retarded by the loss of determination to bring itself into a condition of being able to respond to stimuli. The dread of returning to work among the conditions which have produced the fatigue becomes, as a mental disposition, a cause of fatigue. This condition having been brought about, its results are seen in irregularity of work and in diminished production and faulty workmanship.

(2) Desirability of Obtaining Satisfactory Conditions of Lighting and Temperature

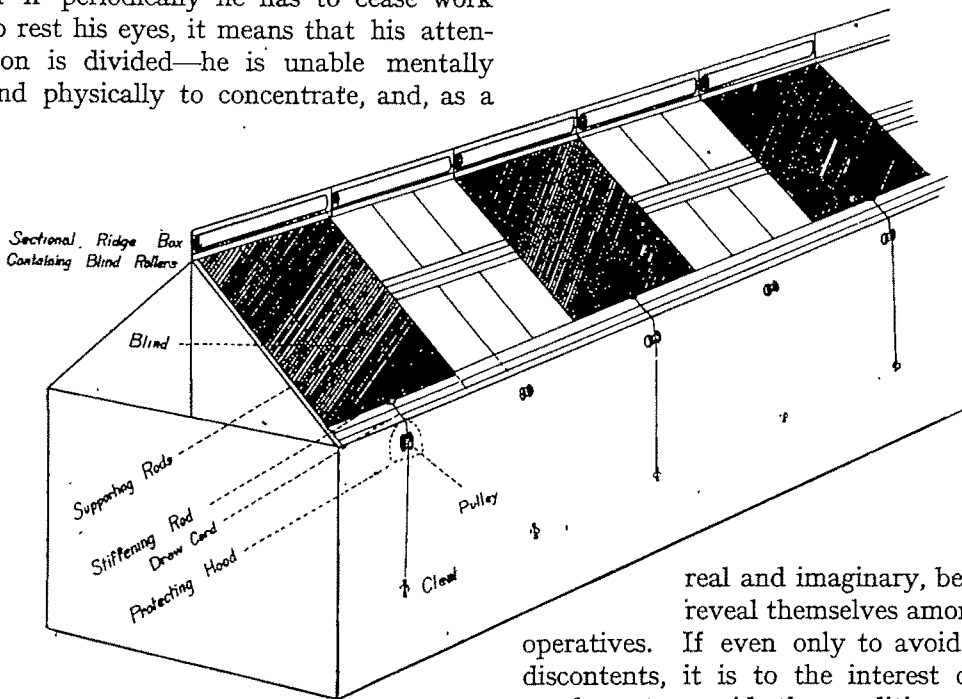
(a) *From the operative's standpoint.* Two elements enter into the operative's desire for suitable conditions. First of all he looks at the matter from the point of view of doing decent work. It is in his own interests that the workman should do good work and work at a steady rate. His livelihood depends on it, and, whatever grumbles we may hear from time to time, the fact remains that the normal man *does* want to work. Then he looks at the matter from the standpoint of his own health. If conditions are such that they produce lassitude, if they are such as to diminish interest, they are in some measure unhealthy, if not directly physically unhealthy, at least mentally, and as such they will, sooner or later, produce effects on the physical organism.

(b) *From the employer's standpoint.*

Suitable conditions affect the employer very importantly. It is to his interest to see that the operatives are working in such conditions as will promote interest in their work. In this way he will obtain increase of production, and he will get better work. If the conditions are such that the workman has to shake himself up and work by fits and starts, or if periodically he has to cease work to rest his eyes, it means that his attention is divided—he is unable mentally and physically to concentrate, and, as a

most two errors contains five. The time spent on correction is consequently increased.

But a consequence not always recognised is that faulty conditions at such a period of the year when the conditions outside the workshop themselves tend to produce fatigue, conduce to irritability in a decided fashion, and discontents,



result, his totality of work at the end of the day is much smaller than it might have been, or should have been, the work is less perfect, the curve of time spent in correcting errors has gone up enormously. If these conditions continue the curve of errors goes steadily up and the curve of work done goes steadily downwards as the organism loses its capability of response to stimuli. A particular case in illustration is that of a printing office, entirely roofed with glass, obscured by limewash. A particular piece of work set normally by a good compositor in twenty minutes, in the warm season requires forty-five, and instead of at

real and imaginary, begin to reveal themselves among the operatives. If even only to avoid these discontents, it is to the interest of the employer to provide the conditions which will give aid to the genial attitude of the workers towards their work and towards their employers.

(3) From the General Standpoint of Society.

It is of great interest that our work-people should not have such causes of discontent. The warm season is in itself trying from the standpoint of work, and dispositions created in the workshop are very often carried into the home. It is thus that ideas spread and imaginations become magnified. The health of the workers and the influence of working conditions upon the temper of the toilers

are of far greater importance than is in too many cases recognised.

We are now in a position to enquire into the extent to which it is possible to obtain the most satisfactory conditions.

Defects of Limewashing

One of the first things necessary in making such an investigation is to get rid of the idea that the customary method has no merits. In this case it certainly does lessen the glare of the sun. But it falls short in many respects. The limewashing of glass does not prevent its becoming heated after the sun has been beating upon it for a time—and the heat is transmitted to the workshop. Then it has one very decided drawback. When a spell of dull weather occurs after the glass has been obscured the result is a decided lessening of the light: in some cases it has even been found necessary to use artificial light during the day when a sudden spell of very dull weather was experienced.

Sectional Blinds

These facts having been disclosed by investigation, it became necessary to suggest a new method of obscuring the glass during warm weather. The new method consists not in obscuring the glass by limewash but by providing a means of temporarily obscuring the glass as the climatic conditions demand. The best method will be found to be that of providing blinds which can be drawn across the roof sectionally. These blinds should be *outside* the glass. If they are placed inside they tend to gather dust and to scatter it through the workshop when they are moved. The blinds should be of a strong but not too heavy nature. In our investigations we have found that the most satisfactory results were obtained by using a light, strong canvas, which gives both the reduction of the sun's light and reduction of heat necessary,

without limiting the supply of light uncomfortably. The blinds should be constructed after the pattern of a shop-window screen. Boxes containing rollers on which the blinds are fixed should be erected and these blinds should be of size sufficient to cover a convenient section of the workshop. Guiding rails should be provided, so that the canvas may not be touching the glass when the blind is extended—the most satisfactory results are obtained when the canvas is a few inches away from the glass.

Advantages of Sectional Shading

The advantages accruing from the use of such a method may be set forth as follows—Any one section of the workshop may, if desired, be protected against the sun's rays while, unless shading is required, the other sections may have clear and strong light unobscured.

In dull weather the blinds need not be drawn at all, so that the maximum of light is obtainable. The distance of the blind from the glass preserves a cool atmosphere underneath. If the blinds are drawn before the glass is heated the atmosphere need not become at all stuffy and unpleasant.

There are also advantages to be gained from the point of view of preserving stores. If a merchant is compelled to keep certain goods, for example, yarn, lying under a glass roof, as some are compelled, then the use of the blinds suggested in the new method is infinitely preferable to obscuring the glass by limewashing it. The new method will preserve the atmosphere in a condition such as will not permit of depreciation in weight by evaporation of moisture.

The use of the new method will give the organism added stimulus by preserving the atmosphere in a state of coolness, by still permitting adequate light while softening it and making it restful. A warning must, however, be

issued. There will be a tendency in some quarters to insist upon proofed canvas. There is no need for water-proofing. The blinds are rolled back into the boxes when it is wet. On no account should green proofed canvas be used. The lighter varieties give a reflection, and while green is a restful shade it tries the eyes to work under sunlight shining through green from above. The heavier varieties of these would be too dense—and by far too expensive. Natural colour canvas, not dyed, will afford the best result. The light will be softened but not changed. There will be no annoyance from after-images, and the avoidance of these in such trades as printing, where hand-setting is engaged in particularly, is of great importance.

A word as to the economy of the new method. The mere question of initial expense as determining the value and virtue of an improvement is too often over-emphasised. This method is a direct attempt to do something for the comfort of the operatives and at the same time to increase the production and to improve the quality of the work done. Blinds of such a nature as we have

described, made from canvas of a quality such as we have found most satisfactory, need not be renewed for many years. There is to be no undue strain on them and they are not to be exposed unduly to wet. Of themselves they will soon repay any initial expense.

In this effort we are reaching, more than many people may imagine, means of eliminating fatigue. Generally speaking, we are meeting two of the fundamental requirements which I have laid down previously in this connection¹—stimulation of interest and creation of an atmosphere free from overmuch restraint. Interest in a worker depends, to an extent too often unrealised, on the capacity for being interested, and into this capacity physical conditions enter very largely indeed. Restraint may arise not from mere supervision—but from the conditions of temperature, lighting, and so on which restrict the workman in his efforts.

Our new method not merely meets these requirements, but what is more, it does something in the direction of fulfilling them.

¹ *Business Organisation and Management*. Vol. V, No. 1, p. 57.



Education for Commerce

Work of the London School of Economics

IN commemoration of the establishment of the Commerce Degree, the Governors of the London School of Economics (University of London) gave a luncheon at the Mansion House on the 15th June. Sir Arthur Steel-Maitland, M.P. (Chairman of the Court of Governors), presided in the unavoidable absence of the Prime Minister, and there were also present the French Ambassador and Mr. E. F. L. Wood (President of the Board of Education) among a company of over 250 representatives of British Dominions, foreign countries, financial and commercial interests, and educational institutions.

Mr. Wood proposed "The School," and recalled that it was founded only thirty years ago in two rooms in the Adelphi.

The Chairman, responding, said the school had now over 2,500 students, and it had achieved a national reputation in the field of economics which was second to none. Just as it was true of industry and manufacture, it was also true of finance and commerce that they must have first-class brains with a first-class education.

Sir William Beveridge (Director of the School) proposed "The Guesfs," for whom Sir Robert Kindersley and Sir Sydney Russell-Wells, M.P., replied.

Efficiency in the Office

Organisation for the Purchase Department

By "VIGILANS"

PERHAPS no procedure in the office lends itself so easily to systematic and methodical routine as that entailed in the work of the purchase side of the business. Sound buying is an essential of successful trading. Without it the finest sales force in the world will find the result of its activities greatly minimised. It is hardly necessary to labour the point that since any sale implies a certain amount of purchasing in order to provide the essentials for the demand on the firm's products thus implied, the degree of business acumen shown in the buying of these essentials has a considerable effect on the net profit the transaction will ultimately show. Orders, to secure which every firm exerts unstinted efforts, are as good as worthless if the Purchase Department so far falls below the standard expected of it as to buy the supplies necessary for the fulfilment of the transaction in a bad market, or fails to secure promised delivery, or in any other way puts obstacles in the path of expeditious completion of the order at the lowest cost. Of course, varying percentages of the cost on any order fall on many other departments than the Purchase Department, yet as the sales side of a business can, in effect, only supply to its customers the commodities supplied to it by the Purchase Department (even when raw materials are bought and made up into a distinct finished article this is still true) it will be realised that proper procedure in respect of purchases is as great an essential as it is for the sales side to be remarkable for its efficiency.

The Price Record

The first essential of a Purchase Department system is a Price Record (*see Illustration 1*). This is more or less self-explanatory. Cards are headed with the name of the article, and the columns make provision for tabulated facts as to the date of previous purchases of that article, from whom bought,

price, terms, etc., while in the remarks column may be noted such facts as whether the goods were satisfactory or otherwise, whether delivery was prompt, and any other observations likely to be of use on subsequent occasions. Some users go so far in regard to this list as not only to inscribe on it actual purchases but to make it a record of *all* quotations received at any time for the article in question. It is then valuable as

ARTICLE

Date.	Firm.	Quan'ty.	Price.	Unit.	Terms.	F.O.R.	Remarks.

ILLUSTRATION 1

an indication in the case of very fluctuating prices as to the way the market is moving, either hardening or the reverse, and acts as a trustworthy guide to the Purchasing Manager in framing decisions as to whether it may be worth while on occasion to anticipate his requirements somewhat and place an order in excess of the moment's actual demand in order to secure the benefit of a low price, or in the case of a rising market to secure supplies before the market advances still further.

The Filing of Catalogues

Apart from considerations of price, the making of a purchasing decision frequently necessitates the consultation of catalogues already received from suppliers. Nothing is more demoralising nor calculated to hamper the buyer's activities than to be unable to have these placed before him immediately when required. Unless catalogues are too large and bulky they should be accommodated in vertical filing cabinets and filed on a number sequence of identification; a card index by name of supplier

and cross referencing by name of article giving access to any required catalogue (see *Illustrations 2 and 3*). If the name of the supplier of any article is remembered the name index is consulted. The same card also indicates, as shown, any other material which that particular firm is able to supply, a useful feature when for the sake

NAME *Brown, Thos., & Co.*

ADDRESS *London*

ARTICLES.	Catalogue No.
<i>Waterproof Sheeting</i>	25
<i>Hessian</i>	10
<i>Ropes</i>	36

ILLUSTRATION 2

ARTICLE *Waterproof Sheeting*

Firm.	Address.	Catalogue No.
<i>Thos. Brown & Co.</i>	<i>London</i>	25
<i>Waterproof Mfrs., Ltd</i>	<i>Manchester</i>	39

ILLUSTRATION 3

of securing better terms or attention it may be decided to include on the enquiry the price for some other article in demand. Where purchases are made on a large scale and the work embraces multiplicity of items it is often impossible to remember the names of all suppliers, and, if the best buying is to be done, as many firms as can quote should be given the enquiry, the index card headed with the name of the article is an extremely useful medium of reference. It enables consultation to be made of all catalogues bearing on that particular line, and assists in deciding as to whom the enquiry should be sent.

Handling Orders Expeditiously

The order form itself next calls for attention. Three parties are primarily concerned in the placing of an order, namely the Vendor, the Purchase Department, and the Stores. By using loose triplicate forms, different colours indicating the copy appropriate to each of these three entities, the one operation of typing, through carbons, the three copies at once cuts down the clerical work. The Vendor's copy is posted to the

firm favoured with the order, the office copy remains in the department and is filed alphabetically in a distinct section representing purchase orders outstanding. The stores copy, from which prices may be eliminated, if necessary, by means of using short carbons for this particular copy, is forwarded to the storekeeper. He would file it in a "Follow-up" index by date of expected delivery. This enables him to check off goods as received into store, and also by means of his date follow-up is in a position to notify the purchase department of any orders not delivered by the anticipated date. When this method is scrupulously carried out, quicker deliveries invariably result, as appropriate action may be taken at once to secure satisfaction should the promised date have been exceeded. In some businesses it is considered to be more conducive to accurate check of goods on delivery, as to quantities, etc., if the storekeeper is furnished with "Goods Received" notes only and not with a copy of the actual order. The argument is that if the storekeeper knows exactly what he ought to receive he may, if busy, take too much for granted and certify the delivery as correct without proper comparison of the items received with the details on the order. If it only devolves on him to notify receipt of goods on a "Goods Received" note, he would have to count the articles for the purpose of making a correct notification, assuming nothing in the absence of anything to base an assumption on. The office would then detect any discrepancy between the items received and those called for. For easy handling these "Goods Received" notes should be made up in pads. They would bear provision for the name of the firm from whom the goods were received, description and quantities, the storekeeper retaining a duplicate, if necessary, for his own use and information. When only so informed he would, of course, be unable to follow up expected deliveries, and that duty would then have to be undertaken by one of the office staff.

The Flexible Contract Record

When delivery has been made as shown by

the return to the office of the stores copy, the corresponding office copy is extracted, the invoice checked with it, and the fact that the invoice has been passed is noted on the order. This prevents entirely the possibility of passing an invoice accidentally twice rendered. The office copy is then passed to a "Completed" section for any future reference necessary. In the case of large purchases when part deliveries are made it is often useful to have the back of the office copy ruled for noting deliveries received and balance still to come. The stores copy would in such circumstances also bear the same provision, and the storekeeper would then move his copy on in his "follow-up," after receiving a part delivery, to the anticipated date of the next, returning the copy to the office on receipt of final delivery. Many firms prefer to make this feature a separate record, especially in the case of contracts against which deliveries are being made over a protracted period, and when, possibly, a rigid adherence to delivery dates is essential, or where because of their number it is necessary to make it a part of some clerk's work to watch them. A contract record in flexible form enables a better scrutiny of outstanding contracts, by reason of the ease with which completed records can be extracted, leaving in for attention only those on which action has to be taken. The same observations apply to the use of loose forms for the orders instead of having the office copy bound into a book. Where the bound book form is used it means that record of completed orders is mixed up with uncompleted, thus retarding work, and further not permitting of that rapid survey of outstanding matter so essential to smooth and effective accomplishment of purchasing work.

Automatic Routine

Of course, any scheme of this nature needs adaptation to suit the circumstances peculiar to the firm installing it, but as a broad outline of an efficient scheme of Purchase Department routine it can be recommended. Absence of friction is necessary in any systematic procedure, and if that procedure can be made to any extent

automatic, by which is meant that each successive step of the routine evolves itself out of the preceding step, the responsible departmental head is freed of considerable worry and harassing attention to details. The scheme affords such freedom. An article is in requisition—immediately the Purchasing Manager may put his finger on every germane fact on which to base a quick and sound decision—catalogues are to hand, record of past prices paid accessible, and names of firms able to supply indicated. On a decision being made as to the direction in which to place the order, a time-saving principle of triplicate orders sets in motion a routine by which authority to supply is given to the vendor, and the storekeeper is notified and enabled to watch for prompt completion of orders. Nothing is left to chance, nor is any dependence laid on what may possibly be a faulty memory, and the whole purchasing activity is always amenable to scrutiny and survey at a glance.

Value of Requisition Slips

A word must be said in conclusion as to the necessity in a large organisation of establishing the responsibility for the purchase. The Purchase Manager presumably is only expected to buy to the best advantage. It may be outside his province to decide as to the really primary need for the purchase. Hence the need for Requisition Slips. They establish responsibility, and in the event of an ultimate query exonerate the buyer from the charge of unnecessarily purchasing. Requisition Slips should be in duplicate, each department empowered to requisition holding pads of them. On the occasion of any department finding it necessary to order supplies, a Requisition Slip would be filled in with the name of the article, departmental number, and quantities required; and passed in duplicate to the Purchase Department. Here the necessity for an efficient master stock record is all-important. Such a record will show the exact stock position at the moment, and from it the Purchase Manager will be able to see, on receipt of a requisition, whether the demand is justified, or if such requirements can be satisfied from stocks in hand.

"Schedule A" Reassessment

Why the Public Protest

By J. J. BISGOOD, B.A.

Editor of the Insurance Record

While the practical effect of the property re-valuation is explained elsewhere in this issue, Mr. Bisgood here points out that public indignation against it is due to the fact that the form in which it has been carried out represents an infringement of constitutional rights.

THE great interest which is being taken all over the country in the new assessment to Schedule A, is filling question time in Parliament, columns of the newspapers, and excited public meetings. It is due to an obscure cause which few seem to understand. They all know that it is a novelty, but how many know what our traditional system of rating is, and how the new proposals violate it. Yet tradition and training have embedded firmly in our minds that all taxation is freely given by Parliament and freely accepted by the people. Now, in some unexplained fashion, the people feel that a new departure has been made by the Executive, not only without any consent by Parliament, but actually in defiance of continual Parliamentary decisions, the latest as recent as 1921.

Historically, the whole system of valuation in this country begins with the overseers of the parish. It has been their duty for centuries to prepare each year a list of all lands and hereditaments in their parishes and to place on each a gross annual value, and that annual value should be the outside sum at which the property is let or is worth to let, if in the occupation of its owner, or is empty at the time. These lists are regularly presented by the overseers to the magistrates for approval and signature and have then the force of law. But in many parishes for many years past the overseers have contented themselves with

inscribing in the yearly lists such alterations arising from variation in the tenancies or development of the properties as have taken place in the previous year increasing or diminishing the annual value. They have not interfered with assessments where there has been no change.

In the County of London a special Act provides for a complete re-valuation of every tenement once every five years, and it may be that there are other places with such exceptional Acts relating to them. In such cases there is no trouble.

Anomalies of the Old System

In the rest of the country, complete re-valuations take place very seldom. Probably there have been none since 1910. Valuations are very expensive to the ratepayer, and; as regards local rates, it does not matter very much if the valuation goes up and the rate in the £ goes down, or if the rate in the £ goes up and the valuation is steady. The ratepayer in the gross pays about the same either way. But in these days we all have to bear one another's burden. Therefore although a complete valuation means very little to a locality, it may mean a great deal to the county in which it is, or to the country as a whole. Obviously if, in any county, one community, acting in accord with the Inland Revenue, keeps its valuation up to date it has to pay more county rate than

another which keeps its valuation out of date. If this applies to the counties it applies still more to the State, for it happens that valuations are made in one county on a different basis to another, and consequently the inhabitants in one pay more Schedule A tax than they ought to, whilst the inhabitants of the other pay less.

Treasury Encroachment

In view of the anomaly the permanent officials at the Treasury have tried again and again since 1880 to get into their hand, through their Inspectors of Taxes, the right to make a valuation of the country, displacing the local assessors and the local commissioner of taxes, who in effect are the watch dogs protecting the local sheep from the Downing Street wolves. Parliament has always refused to sanction such an increase in the power of the Executive. It knows how touchy the British citizen is on the question of taxes; it does not forget the head of Charles I, which fell within a few hundred yards of the Palace of Westminster, and it refuses to run such a risk again.

An Illegal Basis

What has now been done is an executive act in full defiance of the last decision of Parliament in 1921, when a proposal to make the change was refused in view

of a great demonstration of public disapproval, led by the Corporation of the City of London, the historical defender of the rights of the people against the Crown. Nor is that all. The new valuations made in hole and corner fashion, are in most cases arrived at by a simple percentage addition to annual values, a course which the King's Bench has already declared illegal in the case of the *Halifax Guardians v. The Halifax Assessment Committee*. We are told of a right of appeal, but there again the Inspectors of Taxes have stood between the subject and the local Commissioners, and in more cases than one have even usurped the duties of the Commissioners; an action which has been repudiated by the responsible Minister.

There is no doubt that the permanent officials of the Inland Revenue will have to give way to the popular clamour, and readjust their methods to the spirit and the letter of the Constitution. Meantime the sooner Parliament passes a law laying down a universal and permanent basis of valuation for taxation the better for all business men. They have been disturbed by what had happened, none the less even if they themselves may have been quite fairly treated by the local Assessor. What has been done is unconstitutional, and although few men know why they all know that it is so.



Office Appliance Trades Association

WITH the object of bringing together the principals and managing directors of the various firms belonging to the Office Appliance Trades Association under the most favourable circumstances, a trip up the river from Reading to Windsor was organised for Monday, the 11th June. This was

distinctly successful in every way, and in the opinion of Mr. T. Dixon, a member of the Executive, has done more to create a better understanding between those firms associated with the Office Appliance Trades Association than other methods could possibly have achieved.

Co-partnership in Industry

Taking the Workers into Confidence

Can the workers be trusted with the really vital facts of business? This is a hotly debated question on which conflicting views are held by many sincere well-wishers of Labour. A feature of the Co-partnership Congress last month was Mr. C. C. Renold's very detailed description, summarised below, of the results which have followed the policy of giving Labour the facts at Messrs Hans Renold, Ltd., of which he is managing director.

DEFINITE progress has been made by the co-partnership movement during the past few years. Its results in practice, though in some cases disappointing, have been on the whole distinctly encouraging. It has come through the ordeal of the slump with undiminished strength—a great proof of vitality—and, indeed, no other solution of the problem of securing the whole-hearted co-operation of Labour in industrial production appears to offer so much promise of success.

Considerable public interest was manifested in the second Labour Co-partnership Congress, held on Thursday and Friday, the 7th and 8th of last month at the Royal Society of Arts, John Street, Adelphi, W.C., under the auspices of the Labour Co-partnership Association.

Labour's Demand for a Share in Control

Sir George Gibb (formerly Chairman of the Road Board) presided at the opening session, when Mr. C. G. Renold, Director of Messrs. Hans Renold, Ltd., gave a very interesting address on "The Place of the Worker in Industry." Mr. Renold said that the moment trade improved Labour's demand for a share in control would arise again, and whatever changes would come it was important that all grades of the workers should understand the problems of industry. This they would do more if they were taken into the confidence of the management. His own firm had experimented in this direction further than many others, and he described in considerable detail, and with the help of a series of organisation charts, the working of their co-partnership scheme. They employed some 1,700 workers in the manufacture of bicycle chains and large driving chains, and worked the scheme by means of a number of committees, of which the

principal were a works committee—the link between the men and the directors—the profit-sharing committee, the monthly staff committee, and the foremen's committee.

An Epoch-making Declaration

In their view the main justification of a profit-sharing scheme was that it formed a very useful means of interesting the workers in the actual root problems—particularly the financial problems—of business. In preparation for the scheme it was found necessary to give a series of lectures on general business finance, and to explain in very great detail exactly what each section of the business did. After these lectures the chairman of the Shop Stewards Committee said at a mass meeting of the workers that they were now satisfied that the office people had a job to do—a declaration which Mr. Renold described as almost epoch-making.

Despite the fact that the scheme was initiated in Jan., 1921, just at the beginning of the slump, it was reaffirmed in 1922 after more than a year of no profits and no distributions, and the speakers who were members of the various committees were just as enthusiastic as ever on the ground that it had enabled them to understand business. One speaker said the great thing about the scheme was that it gave them some control of their destiny. He explained this by saying that they now knew what was likely to happen, how the business was going, something about prospects, which departments were likely to increase, etc., and they were no longer liable to have decisions sprung upon them out of the dark, so to speak.

What Renold's Men are Told

The company put before the profit-sharing committee every month exactly the same accounts that the Board of Directors received

a few days previously. There were certain differences, but these were shown quite definitely as differences. This had helped them through a great many difficulties. Very full statistics of the previous month's work were also placed before the committee: of sales, orders, works, production and the fluctuation of stock, the bank balance, depreciation, particularly the comparison of the depreciation provided in the accounts with the money actually spent on replacements. The committee also received special reports of price changes, new lines of products, sales plans, new building arrangements, and things of that kind. Every six months they placed before the committee the financial programme for the next six months. All their management work was based on the drawing up of a six monthly financial programme which set out all the things they would like to do and how far the money available would enable them to do it, based on the level of sales expected and the imaginary level of works production. These facts were placed before the committee, not for consultative purposes, but as explanation. Explanation, however, as they knew, easily merged into consultation, and consultation had a very good effect on execution. They as directors really did put all the cards on the table.

Advantages and Disadvantages

The disadvantages were a tendency to slow down management action, and also a danger of vital information leaking out. They had watched this very carefully, and so far from there having been any leakage from the profit-sharing committee, he rather thought less information got out than when it was regarded as purely private for the management; but these were risks they were prepared to run. The great advantages were stability and general trust, the workers being in close touch with the policy of the management and unlikely to be swept by the wings of Communism. They were far less likely to entertain revolutionary proposals than those who believed their managers to be hostile.

An interesting discussion followed this illuminating address.

Sir William Beveridge (Director of the London School of Economics) presided at the public luncheon, held at Gatti's. He said that it was high time the Balkan war method of conducting industry was abolished. The great remedy was publicity, not the actual fact of co-partnership, but the fact of taking the workers into their confidence.

Mr. Theodore C. Taylor, managing director of Messrs. J. T. and J. Taylor, Ltd., said that co-partnership seemed the most effective way in which an employer could safely pay the highest wages his business could afford.

In the afternoon Miss Dorothy Cadbury, Director of Cadbury Brothers, Ltd., read a paper on the subject of "Women in Industry." Lady Parsons, Director of Atlanta, Ltd., presided.

Contributory Co-partnership

The congress was continued next morning, when Mr. J. A. Bowie (lecturer in Economics, Manchester College of Technology), author of *Sharing Profits with Employees*, spoke on "Contributory Co-partnership through Investment." Mr. Oswald Mosley, M.P., was in the chair. Mr. Bowie urged that the worker should be asked to contribute something from his earnings for the acquisition of shares. Co-partnership founded solely on profit-sharing did not adequately teach its lesson, as no sacrifice was asked of the worker.

The Rt. Hon. Lord Emmott opened the discussion, urging that co-partnership schemes were going forward too slowly. Few were in the hands of the worker. He did not dread this, as it would give them an impetus towards saving that would make them perfectly safe people.

At the afternoon session, Mr. Basil Peto, M.P., presiding, Sir Edward Penton, K.B.E., gave a "Historical Review of the Conditions of Trade leading to Co-partnership." He said that employers lost a golden opportunity of profit-sharing with the workers during the war.



Finance for Business Men

By OUR FINANCIAL EDITOR

These pithy notes on current financial developments discuss, inter alia, the developments in the manufacture of artificial silk and cotton, the Reparations problem, and the effect on tobacco prices of the present control of the tobacco industry.

Conversion Possibilities

THE continued low rate on money, in the absence of anything like a strengthening of the trade situation to that point which might be suggestive of boom conditions, favours the prospects of converting our more highly-rated government stocks into lower interest-yielding securities. Up to date there has been but little alteration on the capital side as the result of conversions, but a substantial saving has been effected in the matter of interest, which means, of course, that the individual of to-day scores to some degree over posterity. Changes by investors into Conversion Loan have been very considerable; and the distant date and the apparent confidence of the investor that the low money rate is going to continue for a number of years have supplied the incentive and the reasoning that has so popularised the loan as to have given it within a little of a twenty point rise above the issue price.

War Loan and Maturity

The policy of consolidating floating funds through the medium of Treasury Bonds has been consistently carried out, and trade therefore has not had the full advantage of usable funds as it might have done. Seeing, however, that the process helps to maintain, if not to accentuate, the low money rate, it may be continued as a factor favourable to the issue of subsequent conversion loans for the absorption on terms favourable to the government of outstanding high-rated obligations. From this point of view there should not be much left of War Loan to convert by the time maturity of the loan is reached.

On the other hand, the advent of Mr. McKenna into the arena of the country's

finances, bearing in mind his speeches that trade should be fostered in preference to, shall we say, "over-consolidating" the exchequer position, may bring about a gradual change in policy which may give us trade expansion, a tendency to a higher money rate, and possibly better economic conditions as far as the worker and the trader are concerned. Anyhow, we shall see.

Cotton—and Cotton

The substantial increase in the values of the British Cellulose Company's shares, both of the preference and of the ordinary, that has taken place over the last few months, marks a very real recovery in a concern that during our great period of deflation appeared, and doubtless was, heavily over-capitalised. Whether the highly valuable successes evidenced in the apparent excellence of the materials produced, and in the dyeing thereof, will bring about a position of "serious" competition between the company and Courtauld's, of course, remains to be seen. We, having observed—in oil and the like—imminent cut-throat situations pending that somehow did not manage to come to a head, may be pardoned for being a little sceptical of the suggestion that "controlling" interests will carve one another's businesses to pieces for the benefit of the consumer; and, under the pressure of modern industry towards understandings for the mutual strengthening of the market, we look rather for some form of mutuality—unobtrusive, perhaps, yet none the less effective.

Cotton from Wood Pulp

Incidentally, a practical and cheap substitute for cotton under to-day's conditions of uncertainty in respect of the cotton industry—high prices, crop shortages, and

the like, with perhaps a tendency on behalf of cotton interests, to favour under-consumption at high prices rather than keeping well up with the demand at more moderate prices—sounds somewhat of a business-like proposition, especially with a suggestively sympathetic dyeing industry allied. The Cellulose Company make, from wood pulp it appears, a serviceable cotton substitute in addition to their artificial silk product, and high prices, particularly in the lower grades of cotton, will undoubtedly foster competition from this powerfully circumstanced source of origin.

Perhaps considerations such as this may have influenced the buying that of recent months has served to give the shares of the company so substantial an increase by comparison; in spite of the obvious fact that in respect of dividends the early future carries little prospects of profit—at least in so far as income is concerned.

Concrete Reparations

The suggestion (which in the interim may have passed into fact) that the Allies should enter into a sort of business partnership with Germany in the matter of her trading profits—the Allies, of course, representing the sleeping partner—appears so very obvious a way to get concrete reparations from Germany without consummating her economic ruin that the wonder is that it should not have been thought of at the time of the enactment of the Treaty of Versailles.

Secured Commodity Loans

If we look at China, and other examples of countries borrowing foreign capital, the respective loans, where there is any question of specific security, are invariably fixed up on the guarantee of interest payments out of some commodity which is essential to the modern life of the people. Salt, tobacco, and the like, according to the countries in question, are items in the everyday life of all nations, each individual going without much, if necessary, to obtain them; hence, from the poorest to the richest everyone pays his almost daily quota of interest on the debt incurred. Whether the money is lent, or debt is incurred in the shape of an

indemnity, makes no difference. The question is that money is to be paid and how shall the necessary interest, or reparations, be made forthcoming. To speak of humiliating national pride in such a connection is beside the point. If to tie up the profits resulting from a national demand in favour of a specific commodity is humiliation, then China and similar countries have been in the past sadly humiliated. As a matter of fact the suggestion is eminently business-like; but of course we must have, in the case of the measure being applied to the reparation problem, a cessation of printing-press operations for the purpose of providing additional currency. It does not appear necessary that the currency of Germany should "regain" its value, as has been suggested as essential in the press.

Austria as an Example

Austria is an instance in point, and although in Austria's case money has been granted by the powers concerned, yet in that such loans require the interest to be specifically met the positions are analogous. Austria has pledged her tobacco profits, stopped inflating her currency, and for some time now the crown has been stabilised; with the result that it is confidently anticipated that a vastly improved budget will be forthcoming. But there has been no question of the crown returning to pre-war parity; and to make such a return a condition of participation in German industry would be to legislate for the impossible. The English know something about deflation, and any such measure would put Germany out of the running for a trade surplus for many years.

Germany's Economic Readjustment

If Germany's debased money had not been interfered with by exchange regulations preventing the internal use of stabilised foreign currency, the mark would have been denied by the German people and in a short period—perhaps by now—Germany would have been running on the pound sterling, the dollar, the Swiss franc, and the like, in respect of which there would have been no possibility of the Germans continuing a policy of monetary inflation, as the power to

do so would have remained vested in other hands. This would appear the natural course of economic readjustment along the line of least resistance; but the prohibition of the lawful presence of foreign monies among the people, whether for trade or for currency purposes, while maintaining a lowering value of the mark, has also maintained highly unstable conditions. To have the mark fixed where it is is better than to have changes of 20,000 or so marks to the pound in the course of a few hours; and if the new reparation suggestions become a fact, there can be no doubt but that the German people, if honestly allowed to do so, will pay their debts. Two requisities appear necessary—the one, that they should know to what extent they are to be mulcted and that the amount be not suggestive of the absurdity of the £6,000,000,000 or so originally put forward, and the other is that the wholesale exploitation of the German people by her industrialists be prevented. Little local disturbances like the extended occupation of the French might with profit be eliminated.

Tobacco !

Talking of tobacco, is it not wonderful—the continued upward trend of such undertakings as the British American Tobacco Company and its fellow trader the Imperial Tobacco Company? Who, a year or so back, would have prophesied the shares of the former, for instance, being in the neighbourhood of the 100s. mark? Yet even the least wise of us might have foreseen it. With all due apologies to very great interests that reflect organisation and enterprise in the highest degree, we should all have learnt by now what, we will call, "partial" control of a vast industry means. In this particular instance it means that the consumer is still paying about 200 per cent increase for indulging the nationally fixed habit of tobacco smoking, in spite of the fact that over the past eighteen months a very substantial decline in the price of the leaf has taken place.

A Controlled Industry

One wonders if there is any other essential commodity so actually, if not ostensibly,

controlled as the commodity of the tobacco industry is controlled by the mutual understandings of British and American interests. In so far as the consumer and the much-to-be-congratulated shareholder are concerned, popular inflation certainly made its customary difference; but of deflation—it would take indeed a powerful magnifying apparatus to find evidence of that reaction which has shaken to their foundations so many other industries. Doubtless the independent (or rather "dependent") grower has had quite a bad time; but in so far as the vested interest is concerned, the habit of big dividends and the looked-for bonus continues. This bonus system, of which we have written before from different aspects, is merely the accumulated, unobtrusive, and therefore probably overlooked by the public, surplus profit, which during the last year or so has been returned to the business (except for that generally small percentage invested outside the business). It is spent on the ceaseless process of expansion by which the vested interest of the industry hopes, and does of course, continue to strengthen its hold on that particular industry in every part of the world. Doubtless a due proportion of the profits accruing from this expansion are made out of the foreigner, but—the home consumer gets no relief; and a smoker that spent a moderate 5s. per week formerly now spends 15s.—an altogether disproportionate amount out of the modern income in view of what it is expected to accomplish.

The Industry and Taxation

The tobacco interests blame the increased tax—like the brewery interests. The public, should they note the profits and bonuses of the controlling companies and perhaps hearing the complaints of the small retailer, wonders and pays; which latter is perhaps the essential thing that matters.

If we are to have increased trade which will mean a per capita increase in income, the proportion of income expended on tobacco out of, let us say, the dole, will naturally expand and provide that steady dividend return with the upward tendency and the looked-for bonus which it is the right of every super-intelligent investor to demand.

Reviews of Business Books

Job Analysis and the Curriculum

With Special Reference to the Training of Printing Executives (Personal Research Series). By EDWARD K. STRONG, Jr., *Professor of Educational Research, Carnegie Institute of Technology*, and RICHARD S. UHREBROCK, *Employment Supervisor, Traffic Dept., Western Union Telegraph Co.* Price \$2.50. Williams and Wilkins Company, Baltimore, U.S.A.

This valuable monograph gives a detailed description of the method employed at the Carnegie Institute of Technology during 1920-21 to develop a curriculum which would provide adequate training for young men to become heads of department, managers, and even directors of commercial printing establishments. A very exhaustive series of job analyses was undertaken in order to secure data as to the nature of executive work in printing. Specifications are presented covering the duties of thirty jobs. A functional chart typifies what is to be found in an average plant. The steps employed in constructing a curriculum are then described, and a bibliography of ninety job analyses completes the monograph. We note a few mistakes, evidently due to careless proof-reading. Valuable pioneer work is being done in America in the field of industrial organisation, and the investigation, of which this work is an outcome, provides a typical example. The principles established can be applied with advantage not only in printing works but in every big industrial organisation where special training is found essential in order to fit men to hold the "key" positions.

Costing and Price-Fixing

By J. M. SCOTT-MAXWELL, B.Sc., M.I.E.E., etc. With a Foreword by LORD WEIR. Demy 8vo, 211 pp. Price 6s. net. Sir Isaac Pitman & Sons, Ltd.

This authoritative work, to which Lord Weir contributes a penetrating foreword, explains the principles of costing as they are applied in the engineering industry, where the subject has been studied more scientifically than in any other. It also contains a complete and practical system of costing applicable to any factory producing a considerable variety of finished products which it can manufacture in fair quantities and sell from stock. The valuable system of monthly cost balances can, moreover, be applied, with modifications, to any existing cost system, so that the scope of the work is

considerable. Elementary points are dealt with so as to be easily apprehended by students or by manufacturers who have never previously studied costing, while the application of costing principles is developed to a degree that will prove of interest and value to experts. As many managers hesitate to introduce job costing on the ground of the expense involved, it is interesting to note that the estimated cost of the system described for a small firm of from 100 to 500 employees is in normal times less than 1 per cent of the sales, and for larger firms it should be worked even more cheaply.

Workshop Routine

Its Principles and Application, with special reference to "Standing Instructions." By W. J. HISCOX. Demy 8vo, 159 pp. Price 9s. 6d. net. London: Chapman & Hall, Ltd., 11 Henrietta Street, W.C.2.

Mr. Hiscox, who is a valued occasional contributor to this magazine, belongs to that comparatively rare type of organiser, the practical man who combines wide experience of factory production with a sound appreciation of administrative activities. His special experience has taught him that to secure the smooth working of a factory system it is essential that routine matters and methods should be strictly governed by detailed instructions of the most definite character, these to be issued by the management as occasion requires in the form of standing orders. The greater part of this very practical manual is occupied by a series of model instructions covering almost every phase of factory organisation, accompanied, of course, by full explanation of the objects they are intended to serve. These are prefaced by chapters discussing the principles of organisation as applied to both the older type of factory and modern buildings. Mr. Hiscox, as an organiser, has evidently endured much from that very astute "passive resister," the foreman who dislikes all change, but we are not fully convinced that factory management by "standing order" is the simplest and most flexible solution of the problem. The organiser without authority is helpless to effect reform; with it he commands more direct methods of securing co-operation from the staff, and standing instructions which, in the nature of things, are subject to conflicting interpretation, may not prove of very great assistance to him.

The Trained Man Wins!

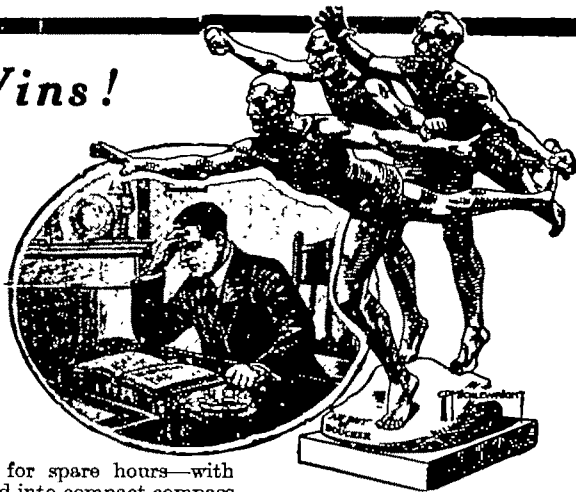
When the swiftness of *alacrity* is allied to the stamina of *thoroughness*, the onrush of this combination is irresistible. And in the modern dash for the laurels of *success* specialised business *training* is just as vital as is physical training to runners in a race.

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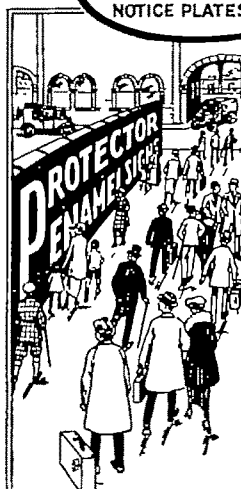
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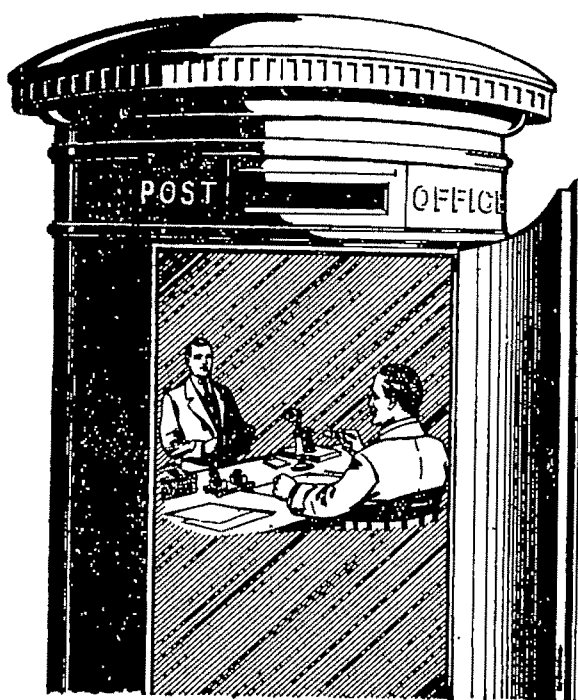
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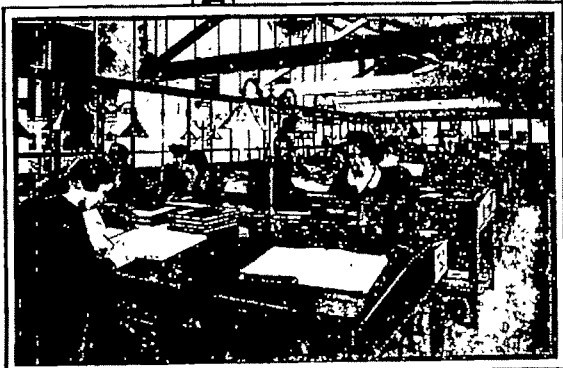
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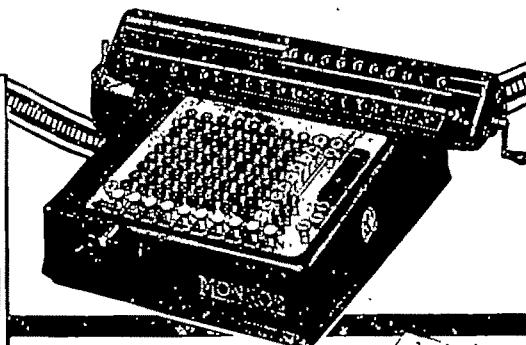
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Notes and News

The Industrial Agent

A NEW type of railway official—the Industrial Agent—has been appointed by the London and North-Eastern Railway Co., in the person of Mr. S. T. Burgoyne, late of the Ministry of Transport. He will advise traders of undeveloped land in the Company's area, suitable as sites for extensions.

* *

The Institute of Cost and Works Accountants

The petition to the Privy Council for the grant of a Royal Charter to the Institute of Cost and Works Accountants is, we understand, temporarily in abeyance. Difficulties have arisen owing to the opposition of the various societies of professional accountants, and for the moment progress has been interrupted. There is, however, no intention of letting the matter drop, and the Institute will renew its application at a later date.

The Prohibition Imbrolio

The worst troubles are the unanticipated troubles. Who could have foreseen, when the United States, by a large majority of States, but a small majority of voters, decided on the eighteenth amendment to the Constitution, that the decision would cause an awkward clash with the rest of the civilised world? There is no question that foreign ships entering our ports, or American ports, or any nation's ports, are subject to the municipal law of the country owning the ports. But long custom and the amenities of intercourse between nations have tacitly accepted the situation that nothing going on inside the ship should be affected by local municipal law. Otherwise it would be difficult to trade at all.

* *

Prohibition Fanaticism: Tea and Tobacco Next

Unwittingly, two questions of vast importance to the liberty of business men and to the comity of nations have arisen out of the action of the U.S. prohibition agents who broke into the *Berengaria's* bonded stores, and abstracted the alcoholic liquor therein. The fact that it was alcohol is immaterial, the principle at issue is what is so vital. Already a powerful band of fanatics is at work in the States determined to suppress tobacco-smoking and tea-drinking, and—absurd as it may seem—there is a feeling that in time they may succeed. They are the very same people who succeeded in stopping the legal use of alcohol. The world at large needs protection against such interferences with normal trading, unless, by general consent of all nations, the particular trade is dangerous to humanity. The mere assertion of the will of one nation will not do if harmony is required.

* *

A Notable Diamond Jubilee

Messrs. Jordan & Sons, Ltd., of Chancery Lane, W.C., the well-known company

registration agents and commercial publishers, last month celebrated the "diamond jubilee" of their business, which was founded in 1863. On Saturday, the 2nd July, the occasion was commemorated by an outing and dinner at Brighton, to which the staffs of the head offices, branches, and printing works were invited by the directors. In recognition of the fact that the long and faithful service of many members of the staff had largely contributed to the success of the business, the directors presented gold watches to twelve members of the staff who had served for twenty years and over. Cordial expression was given in the various toasts at the dinner to the happy relations existing between all the members of the firm.

The growth of the firm has notably synchronised with the development of joint-stock enterprise. The founder, the late Mr. Richard Jordan, was joined by his brother, Mr. William Jordan, and the latter, now entering his 84th year, is still chairman of the company and, mentally, as alert and vigorous as ever. His son, Mr. Herbert W. Jordan, the present managing director, is the author of many standard works on company law and practice and a much appreciated lecturer on these subjects in the City.

* *

Menace of the Ruhr

The continued occupation of the Ruhr is harming this country as if it were a good-sized war. The French believe that the last German Note, offering to submit her capacity to pay to an impartial tribunal of experts, is the merest eye-wash. Being satisfied that the German can pay and won't pay, France intends, if she can, to retain the Ruhr territory as a French protectorate. She denies that she has any such intention, but results are controlled by events which no one can foresee. The intervention of the Pope

in favour of the views held by the British Government will carry great weight in Belgium, which is already hesitating about its future action. Belgian business interests have suffered even more than ours. Antwerp is the natural port of the Rhine and the Ruhr, and the bulk of its trade is *entrepôt* trade between the factories and steel works of Westphalia and the rest of the world. Its quays are as idle to-day as during the war.

* *

Why we need more Aircraft

The sudden decision to increase our Air Force to the level of any other Power's is just one of those things that happen. Our diplomacy is no longer on terms of real friendliness with France, nor is French diplomacy with ours. The hasty disarmament of our superb Air Force—the first in the world at the end of the war—has not been copied elsewhere. In fact, if there were a difference of opinion between the two countries on a question of conduct, we should be compelled at the present time to give way. No one can transact business under such an inequality. If the French resent our decision, the easiest way to avoid it being put into practice—and the cheapest—is to reduce their Air Force to our level. There will necessarily be great activity in many engineering works and aircraft factories. There has already been a steady rise in the shares of companies which make aerial engines at Derby and elsewhere.

The Skoda Issue

The success of the Austrian loan is probably due to the high return offered and the guarantee of the various governments concerned. Restoring Austria to her feet must help British trade. Finding in London £1,000,000 to put the Skoda works into a solid position again is a different matter. Skoda guns blew down the forts of Liege and Antwerp, and Skoda guns must have killed tens of thousands of Frenchmen at Verdun. Probably we shall hear presently of a loan in London to assist Krupp. Foreign loans made in pre-war days were used to pay for material manufactured in this country and exported to the borrowing country. Indeed, that is the soundest way of finding money to lend abroad, and justified foreign loans. We are told, of course, that the Skoda gun-making



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and armament plant has been scrapped. The same was said of Krupp's, until the French Army of Occupation, as the French newspapers tell us, entered the great gun-making shops and found everything intact and ready to begin all over again.

* *

A Hint to British Firms

The Austrian loan could not have gone through were it not that the League of Nations, through its representative, Dr. Zimmerman, has full control of its expenditure. Herein lies a new sphere of

activity for the League. We must hope that it will eventually be able to do as much for Hungary. There is now some hope that the Magyars, whose war guilt is second only to that of the Germans, are ready to behave properly in future and express regret for the past, which no official German has done up to now. Business firms which used to trade with Austria should look up old connections.

* *

Why Belgian Workmen Cross the Frontier

The sober-minded Belgians have had enough of strikes for the present. An attempt made by their Transport Federation to allow only trade unionists to work on the inland water transport or, in the alternative, to organise a gigantic strike, failed by a great majority vote of the men. There is, however, a curious circumstance to note on the Franco-Belgian frontier. In France, a man may work as long as he likes and earn as much as he likes. In Belgium, he may only work eight hours a day. Consequently, thousands of Belgians cross into France to regular work every morning and return every night. It is said that as many as 150,000 Belgians go to and fro daily in this fashion, and their services are withdrawn from their native industries. Possibly the higher value of the French franc, as compared with the Belgian, may have a bearing on the case, but that would be small compared with the dislike of the eight-hour day restriction so rigidly enforced by the Belgian syndicalists. It is pleasant to find that there are still some workmen in the world who work hard to make money. Would that there were more!

* *

Business Firms and the Housing Act

The row in the House of Commons which resulted in the expulsion of four

Labour members, is quite likely to bring about the long foreseen split between the right and left wings of the party. In any case the divergence of views cannot be long concealed. We are only interested in the matter because, in the debate, the Scottish Labour members had made an unanswerable case for the improvement of housing conditions in the Scottish manufacturing and iron and steel-working villages. It is true that the native Scottish element has been squeezed out of many of these places by Irishmen and Poles who have brought their native habits with them. The new Housing Act gives opportunities to our large employers to build houses for their workers.

No doubt we shall be able in a future issue of this magazine to explain the legislation which makes this possible and remunerative. We know already that many of our biggest industrial firms propose to make full use of the new provisions. No one can deny that it is as profitable for a colliery to keep the miners in at least as good health as the ponies. That discovery is relatively new, but it will not be obscured in future.

* *

Reorganising a Big Business

Some idea of the nature of the measures incidental to the thorough reorganisation of a large business was given by Mr. C. F. Spencer, chairman of directors of the Edison Swan Electric Co., Ltd., at the recent annual meeting, and they will be of interest to our readers. This old-established company has been hit hard by the slump, and owing to depreciation in stock values and to the revaluation of capital assets, the directors were faced with a net deficiency of £765,741 which extended over the past two years' trading. To meet the deficiency the share capital has been drastically reduced by writing off 16s. per share from the £1 ordinary shares,

and by modifying the rights of the preference shareholders.

* *

Rock Bottom Production

Mr. Spencer, who became associated with the company in June of last year, said the directors had since carefully examined every phase of its activities. He continued—

We have made substantial reductions in works establishment charges, cut down the sales cost by placing each sales branch on as nearly a payment by results basis as possible, reduced general standing charges substantially, cut down the ratio of unproductive labour to productive labour, turning losing departments into profit-making sections, and, last but not least, established a system of co-operation throughout the whole of the principal members of the staff. We have endeavoured to get unification of view-point, and the directors and chief officials meet together on committees to define their common aims and ideals. We intend to place the staff members of this committee, and possibly others at a later date, on a basis of payment by results.

As a result of these measures, Mr. Spencer was able to assure the shareholders that when the accounts for the current year's trading were presented, they would show that substantial profits had been earned.

* *

Organisation and Reorganisation

Few shareholders, however, fully appreciate the enormous amount of hard work, together with the strain and anxiety, which generally lies behind such a series

of vital changes in both policy and administration. Nevertheless, it is certain that while the difficulties of organising a new enterprise are admittedly considerable, those involved in the successful reorganisation of an existing business, particularly if it be of a certain magnitude, are infinitely harder to overcome. Why this should be so may not at first sight

be apparent, but a little reflection makes the reason clearer. In a new concern, with adequate capital at its disposal, the task of the organiser is relatively simple and straightforward. He creates his system *ab initio*, and appoints his staff to execute it. They are, so far as he is concerned, as new as the system, and none has any title to special consideration. Therefore he can plan with perfect freedom, and the most up-to-date methods can be introduced without any pre-

occupation whatever as to their effect upon individuals.

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The Organiser's Hardest Job

When, however, an established concern, faced with serious adversity and with the necessity for drastic reorganisation, seeks to retrieve the situation, the organiser's problem is different and very much more complex. Personal considerations now hamper both his freedom to plan and his power to act. He finds the business, it may be, overstaffed, the members wedded to old ways of doing



MR. C. F. SPENCER

things which now are hopelessly out of date. Too many fat and prosperous years have brought a slackness which pervades the whole place. Change of method involving a minimum of risk and the need for sustained mental effort is resented and often tacitly resisted, though it is obvious that without urgent vital change the decay of the business cannot be arrested. Such a situation—and there have been many of the kind in the history of joint-stock enterprise—is an acid test for the metal of which the organiser is made. He must harden his heart. If the vested interests win the business is doomed. Old employees may have to be weeded out, antiquated methods must go by the board, and a new standard of work be established. Unenviable as is the organiser's position for the time being, he will look to the achievement of his ultimate purpose—that of saving the business at all costs—for his reward. To bring a concern safely through such a crisis is to wrest victory out of the very jaws of defeat, and its achievement represents the triumph of organising genius in its highest form.

* *

Life Assurance for Business Risks

Life assurance as it affects business interests is studied more closely in America than in this country, and it is very usual to insure the life of anyone

whose death would be a serious loss to a business. Insurance of the kind is, of course, undertaken here, but according to the *Bulletin*, the official organ of the Insurance Parliamentary Association, Ltd., there is still a considerable field for those who care to push this description of policy.

“There is more than one class of business man to whom such a policy may apply. The most important is the head of the business who is often almost if not quite irreplaceable. His death may spell serious injury or indeed ruin for a flourishing business which has been his life work, and his widow and children are faced not only with his personal loss, but with loss of position and future income. The capital sum provided by such a policy would tide the business over until such time as a successor could be found.

“In the case of a partnership the loss of one of the principals may not be quite so serious a blow; but the remaining partner does on occasion find himself in a difficult position, particularly if the deed of partnership requires that money should be found to pay the widow her late husband's interest.

“Another person against whose loss a business should be insured,” says the *Bulletin*, “is a manager who may have all the threads of the business in his hands, or anyone else with special knowledge and experience in the business of the firm, whose death may mean pecuniary loss.”

There is a wide field in this country for the introduction of the efficiency engineer and his methods. His principles can be applied both to the benefit of the employer and of the employed, and to the great improvement of the trade of the country.—SIR ERIC GEDDES.

Truth About Russian Trade Prospects

Progress of the Russian Economic Revival

By E. F. WISE, C.B.

*Economic Adviser to the All-Russian Central Union of Consumers' Societies, and
Director of Centrosojus (England), Ltd.*

Whatever views may be held of the political policy of its leaders, Russia's importance as a factor in the disquieting European situation cannot be ignored. The lucid exposition of Russian trade policy and of the possibilities of re-opening the Russian market which we have secured from Mr. E. F. Wise is, therefore, of the greatest public interest. Mr. Wise has just returned from Russia, and bears witness to the progress of the economic revival and to the remarkable change that has occurred in the attitude of the Soviet leaders to international trade. Private enterprise and foreign capital are now encouraged, he says, and gives interesting details of the guarantees which have been established. Mr. Wise, it will be remembered, recently sacrificed a brilliant career in the Civil Service, where he held the position of Acting Assistant Secretary to the Board of Trade, to become Director of Centrosojus, Ltd.

IT has been difficult for British business men to find out what exactly are the facts concerning the Russian economic position and the prospects of Russian trade. There has been much talk about Bolshevik propaganda, talk directed to the creation of an atmosphere of suspicion and doubt. Very few British people have realised, however, to what lengths systematic anti-Russian propaganda has gone. There has been a deliberate campaign intended to destroy the possibility of confidence in Russian business and, unhappily, so far it has had a great measure of success. The tendentious and mendacious telegrams from Riga, Helsingfors, Warsaw, and even Berlin, purporting to record day-to-day events in Moscow hundreds of miles away, which great English dailies have published, have been a discredit to British journalism. The constant reiteration of the admitted mistakes and failures of the Soviet Government and the suppression of all news showing the success with which that Government is slowly overcoming almost overwhelming difficulties, have undoubtedly produced among business men a quite wrong impression of the situation. There has been created in their minds an

attitude towards Russia, and everything Russian which has hopelessly obstructed any real attempt to appreciate accurately the problem of business with Russia. Business men, their minds filled with false impressions which this anti-Russian propaganda has created, and their judgment disturbed by political prejudices of a crude kind, which are creditable neither to their political sense nor to their reputation for commercial sanity, have not bothered themselves much to find a practical way round the difficulties. It is time indeed that the City, which never tires of urging the Russians to dissociate business from politics, should insist that those who pretend to speak for it should apply themselves to the task of finding a way round the practical business difficulties.

Russia's Commercial Attitude

It is not the purpose of this article to discuss the question of the claims of British subjects on Russia or of Russia on Britain. Let it suffice to say that on several occasions the Russian Government has expressed its willingness to come to a settlement by negotiation and that on one or two occasions, with a little more

goodwill, a settlement would have been achieved. But for several years now a comparatively small handful of people in Western Europe, many of whom no doubt have suffered financial loss on account of the Revolution, have been trying to overthrow the present Government of Russia by stimulating military intervention, by obstructing friendly political relations between Russia and the rest of Europe, and by prejudicing the growth of trade between Russia and other countries. Such activities are mischievous and are certain to be futile. No man of ordinary common sense would in his own business expect to get payment from a debtor in difficulties by preventing the unfortunate debtor from trading. On the contrary, he would recognise that his interest lay in helping to get his debtor on his legs again. What applies to individuals in this regard is equally true of a great nation like Russia. No solution is possible of the problem of the indebtedness of Russia until she is again prosperous, and then only on the basis of free and willing consent. Misrepresentation and hostility, open or clandestine, will never secure this. It is time that British business men insisted on the application to the Russian problem of the same solid political common sense generally brought to bear by British opinion on other problems.

Russia on the Up Grade

Nevertheless, despite all the difficulties, despite intervention, civil war, and famine, Russia is steadily progressing into prosperity. Let there be no delusions on the point. Nothing can prevent Russia from again making her weight felt in the scales of European commerce. Nor can European trade ever get back to normal conditions until Russia is again playing her proper part as a great supplier of food and raw materials to industrial Europe. Trade recovery in Europe rests

primarily on two conditions: (1) the settlement of reparations; and (2) the restoration of Russia. Even if the first were secured no real stability in trade or exchanges can be looked for so long as European countries have to debase their currencies in order to pay for food from America instead of following the natural course, customary for generations, of getting their food from just outside their own boundaries on the East and by paying for it in manufactured goods. Moreover, when continental Europe can buy what she needs by exporting manufactured goods which her people can produce, but for which at present there is no market, she will have money to spare for the finer and more expensive goods which she used to procure from this country. Whether or no Russia trades direct with the United Kingdom is of secondary importance so long as she trades with somebody. We as a great commercial nation have everything to gain by the cheapening of food and raw materials and by the entry of 150,000,000 new customers among the world's purchasers.

How Russian Trade is Reviving

The figures of Russian trade confirm the view held generally in Russia by all shades of opinion that trade and production are already rapidly recovering. The essential point in examining figures of Russian trade is not their absolute value, nor even the comparison of them with those of 1913, but the light which they throw on the question: is trade increasing or stagnant? Compared with those of 1913, contemporary figures make no doubt a sorry enough show, but this misfortune is not peculiar to Russia. Germany, for example, even before the Ruhr occupation, despite all the talk of dumping and recapturing of the world's markets, was obtaining less than 40 per cent of her pre-war export. The United Kingdom itself only exported in 1922 about 70 per

number. Famine in the sense of absolute shortage of foodstuffs is happily a thing of the past. On this subject officials, newspaper correspondents, and relief workers are completely at one. In the towns food is quite plentiful and cheap. Indeed, strange as it may seem, the most difficult problems of Russia at this moment arise from the fact that food is too cheap. Since December, 1922, the price of food in relation to other commodities has tended steadily to decrease, proof without any doubt of the existence of surplus supplies. Actually, recently it has got so low as to deprive the peasant of purchasing power and is seriously handicapping internal trade.

Increased export, so necessary to enable Russia to pay for the machines and tools she so badly needs from abroad, is also vital to the restoration of internal business prosperity. These facts are clearly recognised in Russia. Consequently the whole strength of the Government organisation is being directed to stimulating exports.

How Transport Difficulties are being Tackled

There are two main difficulties, transport and finance. Though the railways and the waterways are still far below their pre-war capacity, they are steadily improving, and are reported to be adequate for the increased traffic expected in the next few months, though of course this will be far less than pre-war figures. As regards the passenger services—a point of personal interest to business men who expect to go to Russia—the main line express trains to Moscow, to Petrograd, to Kharkoff and the Caucasus, to Kiev and Odessa, to Smolensk and Warsaw, and over the Great Siberian Railway, are as comfortable as any in Europe with first-class sleeping and restaurant cars, though their pace still leaves something to be desired.

Russia, however, compared with the rest of Europe or with North America, was always inadequately supplied with transport facilities and great developments are possible. Russian railways were largely built with the assistance of foreign capital, and if they are to be quickly brought back to pre-war standards and developed, as in the interests of Russia they ought to be developed, it is recognised that foreign capital will again be necessary. But it would be a mistake to suppose that Russia feels that she must at all costs get the assistance of foreign capital for transport or other purposes. This is far from being the case. There is a strong body of opinion in official quarters which points to the success made in improving transport in the last two or three years without any foreign help. For this credit is due to the departments of the Soviet Government concerned with railway administration, and especially to the devoted energy of three or four extremely able men.

Russia's Terms for Western Capital

But it is frankly admitted that on reasonable terms the assistance of Western capital, not only in connection with transport but in connection with mines and industry generally, is desirable and desired. What are considered reasonable terms have been embodied in several of the concession agreements which have been made or are under discussion. There is demanded reasonable certainty that the concessionaire will be able to develop the undertaking on sound lines, more efficiently than Russian enterprise can do it without foreign help. Capital, technical experience, and willingness to accept the fact of the revolution and the consequent alterations in political and social conditions in Russia are essential pre-requisites. But, subject to willingness to pay such dues as may be mutually agreed upon based on profits or on

cent of the quantity of goods exported pre-war. On the other hand, there can be no doubt as to the answer which must be given to the question whether Russian trade is increasing or stagnant. The figures of foreign trade, import and export, tabulated at foot of page, for example, show a remarkable rate of progress.

The exports from Russia in 1922 consisted chiefly of raw materials (flax, hemp, furs, skins, timber, oil, etc.), 69 per cent of the total, and the chief imports of machinery 10 per cent, 5 per cent, paper 1 per cent, and chemicals 4 per cent.

In 1922 the import figures were inflated by the balance of famine relief supplies; much of them, however, were paid for by Russia. But it is the export figures that matter. They are in present circumstances the *real index* of trade recovery, and to show a four-

five-fold increase of 1922 over 1921. The figures for the first quarter of 1923, again, are twice as large as those for the corresponding months of 1922. Nor should it be forgotten that in 1922 no grain was exported, that in 1923 the figure of grain exported may easily reach 1,000,000 tons, and as the total figures of other exports have certainly not decreased, on this basis

Russian trade in 1923 will be double that of 1922. This alone, apart from probable increases in other commodities, would suffice to double the 1922 figures in 1923.

Acute Food Shortage Overcome

Agriculture, indeed, is infinitely the most important factor in Russian economics. At least 80 per cent of the population are either engaged in agricultural occupations or are directly dependent on them, and the prosperity of the



Photo Press Portrait Bureau
MR. E. F. WISE

remaining 20 per cent engaged in other industries depends directly on the prosperity of the peasants. It will be some time yet before the effects of the famine of 1921 will cease to be felt. The tens of thousands of orphans and of children whose physical powers have been permanently weakened will for a generation tell the tale of 1921. Yet, despite the appalling shortage of draught animals, of stock and machinery, the acute shortage of food has been overcome. There are isolated areas still, where, owing to special difficulties mainly connected with transport, food is in short supply, but these are now very few in

IMPORTS AND EXPORTS BY WEIGHT AND VALUE, 1920-21-22 AND 1923 (JANUARY AND FEBRUARY)

EXPORTS AND IMPORTS BY WEIGHT		
Year.	Imports (tons).	Exports (tons).
1920	87,000	11,000
1921	918,000	216,000
1922	2,753,000	939,000
1923 (Jan. and Feb.)	90,520	133,670

IMPORTS AND EXPORTS BY VALUE		
Year.	Imports (1,000 gold roubles at 1913 prices).	Exports
1921	232,429	20,195
1922	458,360	81,620
1923 (Jan. and Feb.)	17,195	11,209

(For 1920 only weights are available, not values.)
VIII 22-5

production, the concessionaire is left to develop his property on sound commercial lines. He has, of course, to comply with the conditions laid down in the labour code and insisted upon by the trade unions. But these are in general no more onerous, having regard to the possibilities of profitable production, than would be demanded of him in other European countries. No concessions have yet been granted in regard to railways, for so long as war conditions obtain the Soviet Government has naturally regarded railways as of too great strategical importance to be handed over to foreigners. But a considerable number of factories and other enterprises have been leased on concession terms, either to their previous owners or to others prepared to work them on lines mutually profitable to Russia and to the concessionaire. As Western confidence in the stability of Russia grows, and as Russian suspicion of the Western business man diminishes, there is no reason to doubt that the number of foreign enterprises in Russia will enormously increase.

Government's Attitude to Trade

The attitude of the Government and of public opinion towards trade and foreign enterprise has undergone a great change in the last two years. Russia now frankly recognises that she cannot rapidly improve her economic position without friendly trading relations with the rest of the world. The Soviet Government, as its attitude in the recent controversy with Lord Curzon shows, desires peace and is prepared to go to great lengths to secure it. Herein the Soviet Government undoubtedly expresses the unanimous view of all classes of Russian opinion. Russia is tired of war and is completely disillusioned as to the value of violence. She desires only the opportunity to nurse herself back into prosperity and to develop the vast natural

resources with which she knows she can improve the standard of life of her whole population. War, or even the rupture of relations with Western Europe, would hamper and delay the recovery which she now feels is within her grasp. Hence the keen desire of the Soviet Government to maintain and improve its relations with Western Europe.

The Return to Private Enterprise

The Anglo-Russian Trade Agreement of March, 1921, synchronised by no means accidentally with the promulgation of what is known as the new economic policy, under which the peasant recovered his power after paying his taxes to sell his surplus produce where he pleased, and freedom of private trade was conceded, especially to the Co-operatives. The recent congress of the Communist Party confirmed this return to private trade, within limits designed to protect public interests. There is no reason at all to expect any return to the conditions existing before March, 1921. The whole tendency is in the direction of modifications designed to stimulate individual enterprise whilst protecting social interests. External trade is still subject to the careful control of the Commissariat of Foreign Trade, and is likely to remain so. This control, however, permits particular organisations, and especially the Co-operatives, to import and export under licence. Its purpose is to prevent the exploitation of Russia by foreign speculators, as happened in Germany and Austria in analogous circumstances immediately after the war, and to secure for Russia the fullest advantages from her exports, to concentrate her purchasing capacity on goods from overseas of primary importance, such as machinery and tools of production, and by balancing exports and imports to make possible in as short a time as may be the establishment of a sound currency system.

Unrestricted private import and export would merely create internal chaos and external confusion. They would favour the speculator at the expense of the legitimate trader. Centralisation is as necessary for Russia in the period of recovery, whilst conditions are still abnormal, as was the monopoly of import which Great Britain and practically every other country found it necessary to impose during the war. It is vital that resources and energies should be concentrated on the activities and on the imports vital to the recovery of the country. Russia cannot afford that her national interest should be subordinated to private interests, and it certainly would not be in British interests that she should do so. British traders look to the development of a properly organised market in which they may do steady business, yielding reasonable profits over a period, rather than to speculative transactions of a profiteering kind which, while providing enormous present profits, would kill the possibility of healthy future development. If they are prepared to trade on these conditions, they will find a rapidly developing and increasingly reliable market for their merchandise. Transactions which generally are carried on with the various State organisations and independent trusts and other trades, represented in this country by Arcos, Ltd.—the trading agent of the Commissariat of Foreign Trade—or with Centrosojus, the central wholesale society of the great consumers' and peasants' co-operative organisations, are in sterling. The rouble remains, at an enormously depreciated value, for small day-to-day transactions in Russia. Outside Russia sterling is mainly used for selling exports and for purchasing imports. Even in Russia the rouble is practically replaced for commercial purposes by the chervonetz, the new stable unit of currency based on gold and backed mainly by actual gold, issued by

the State Bank, the value of which is approximately a pound sterling.

Russia's Need of Foreign Capital

Finance is still the crux of the whole question of Russian trade. Previous to the war Russian agricultural produce was largely financed by the foreign buyer, who paid advances to the peasant long before the grain, for example, was harvested. The peasant also required credit for one or two years at least when purchasing agricultural machinery. The need of foreign trading credits for these purposes is, of course, enormously increased by the exhaustion of such capital resources as Russia had by war, civil war, and famine.

Great Britain's Opportunity

The country which can do business with Russian trading organisations on these terms, which on the financial side are hardly different from those on which Russian trade was carried on before the war, will have its pick of a rapidly developing present business, and will be able to create a goodwill which will give it a grip on Russian markets for a generation. Germany fully realises this and is making enormous efforts to get back into the Russian market, but she has no capital. She cannot promise deliveries; she cannot give credits to any great extent. America is also beginning to understand it. But she has little knowledge of European markets, and the sad fate that has befallen many of her enterprises in European markets, undertaken without adequate knowledge during the last three or four years, has taught her caution. She has the capital, but she knows that she has not the men with the knowledge of the Russian market or the experience to handle the special problems involved in it. France has her hands full elsewhere and, in any case, in Russian trade France has in the past performed the function of a banker rather than of a

merchant or manufacturer. Great Britain of the great trading and commercial nations is in the best position, if she has the will, to utilise the chance of developing by far the potentially greatest market in the world. It will be a tragedy for British trade if the opportunity is lost.

Trade Guarantees

The only outstanding difficulty is that of guarantees. So far as concerns the safety of person and property, Russian legislation and Russian practice during the past two years in relation to foreigners support the repeated undertakings of the Soviet Government made at Genoa, at the Hague, and elsewhere, that whatever may have been the case in the early disturbed days of the Revolution, foreigners entering Russia for purposes of legitimate trading, can rely upon proper treatment. The special guarantees on this point in the Trade Agreements with Great Britain, Italy, Germany, Czecho-Slovakia, and other countries have been scrupulously carried out. So far as the legal system

is concerned, the code is based on, with certain modifications, the pre-Revolution Russian law, and it is being administered now, in all but the Courts of First Instance, practically entirely by trained lawyers.

So far as guarantees of a banking nature are concerned, the State Bank and the six or so banking institutions, including the All-Russian Co-operative Bank, are now prepared to do business on normal banking and commercial lines. There is always, it must be admitted, some risk of a nature not purely commercial, but the risk is no greater in Russia than in most European and practically all Asiatic countries. British industrialists restarting business on modest lines in Russia, traders feeling their way from small transactions to large ones, are beginning to find that the risks which they were at the outset prepared to encounter are to a large extent non-existent, and that Russia recognises fully that commercial relations must rest on mutual confidence.



Administrative Posts in Industry

SPEAKING at a Federated Trades Councils conference at Bradford, last month, Mr. Fred. Bramley, assistant secretary of the trade union congress, alluded to the agreement which he said had just been entered into by the Federation of British Industries with the universities and public school authorities.

It had been arranged, declared Mr. Bramley, that in future administrative

posts in industry shall be filled only by persons who had either a public school or a university education. If that were allowed to operate, it would bang the door in the face of every gifted young man in industry whose parents could not afford to send him to a public school or university.

"We are going to fight against that," said Mr. Bramley, "and the professional workers are going to support us in resisting it."

A Typewriter Revolution

By DERWENT STEWART

THE Exhibition recently held in London shows in striking fashion the evolution of the typewriter from the original weird contraption of a "printing machine," but it gives little indication of what may be of even greater interest to typewriter users to-day—the coming revolution in the typewriter world, which may so completely sweep the present "standard" machine out of existence that it will be hard to find one in very few years outside the second-hand junk shops.

Passing of the "Blind" Typewriter

One such revolution has already occurred within my own recollection, and within that of those who were in business about a score of years ago. The type, which was then in quite as general use as the standard machine of to-day is now, was what its opponents called a "blind" writer. The typebars hung downwards in a circle, so that when a key was tapped the lower end of the bar bearing the type jerked up and struck the underside of the roller and paper, the writing being therefore invisible until the roller or carriage was turned over to bring the writing into sight.

This was the machine built by most of the leading makers and in general use throughout the country: but there were one or two makers building "visible writers" which, despite the arguments of "unsound mechanical principle" used against them, immediately caught the fancy of those who tried them. The "blind" machine makers put up a hard fight, but seeing it was hopeless began to make both kinds and offer their customers a choice of "blind" or visible writers. It was the beginning of the end, and very soon all makers ceased to build "blind" machines, and the

standard visible writer came into universal use.

The Coming of the "Portable"

To-day exactly the same process is repeating itself with the standard machine and the little "portable." The huge standard, so heavy that it requires the help of a man or boy to carry it from one part of an office building to another, is doomed.

The little "portable," just as efficient, just as complete in "gadgets" as the most fully equipped standard, is already coming rapidly into favour. It has been fought by the standard makers and salesmen on the argument that it was unsuited to office work, and would knock to pieces in no time with steady hard work; and this argument still retards the portable's general adoption for office use, although its users are finding it quite untrue, and I have proved the portable's hard wearing qualities over years of work abnormally heavy even for the busiest machine.

A Significant Parallel

But against all prejudice the portable is making way, until now the leading makers, again recognizing the inevitable, are building portables and selling them alongside the standards. A salesman of a leading make can hardly now argue against a portable when his own firm is making one, and although there are some makes still troublesome and liable to breakdown, this will soon be improved away by firms with their reputation at stake and the portable market to get after. The case is so exactly parallel with that of the blind and visible writers that it seems certain that production of the standard will stop, and that the portable will bring about as complete and sweeping a revolution as the standard did in its time.

Workmen's Compensation

Limiting the Cost to Employers

By J. B. WELSON, LL.B., F.C.I.I.

Assistant Secretary, Provident Accident and Guarantee Co., Ltd.

Important modifications in the amount of the premiums payable by employers in respect of their liability under the Workmen's Compensation Act will result from the new arrangement made by the Government with the Tariff offices, the main provisions of which are explained below.

THE new Workmen's Compensation Bill recently introduced by the Home Secretary is now before a Standing Committee of the House of Commons. In the meanwhile it is announced that the Government has concluded an arrangement with the Accident Offices Association, on behalf of the tariff offices, for the limitation of the cost to the employers in respect of employers' liability insurance.

Minimum Amount Payable in Compensation

Its main provision is that the proportion which the combined total amount paid by all the offices, being members of the Accident Offices Association, in any year, on behalf of the employers in Great Britain, in respect of compensation or damages for injuries to workmen shall not be less than 60 per cent of the premium incomes for each of the calendar years 1924, 1925, 1926. Afterwards the proportion for any calendar year is to be $62\frac{1}{2}$ per cent, "or such other proportion, not being less than 60 per cent, as may be agreed between the Secretary of State and the Accident Offices Association."

Out of the remaining 40 per cent or $37\frac{1}{2}$ per cent as the case may be, the offices are to pay the cost of conducting the business, including commission paid for introduction by agents and find their profit (if any).

Periodical Adjustment of Premium Rates

Another clause in the agreement provides that the rates of premium charged for each class of risk are to be adjusted from time to time by the Accident Offices Association, so that the loss ratio may approximate as "nearly as reasonably practicable" to the proportions mentioned above. Then, if on the accounts of any year it is found that the loss ratio over the combined business of the offices has fallen short of, or has exceeded, the proportion fixed for that year by more than $\frac{1}{2}$ per cent, the offices are, "in connection with the premium which next falls to be paid thereafter, to be bound to allow a corresponding rebate, or to be entitled to make a corresponding additional charge, as the case may be, to the employers."

Finally, the Accident Offices Association is to furnish annually to the Secretary of State a certificate from its auditors, in such form and containing such particulars as may be prescribed, for the purpose of enabling him to see that the arrangements have been carried out and to make a report to Parliament on their working.

The result of this agreement will be that the premiums will be regulated strictly in accordance with the actual claim experience, the offices being restricted as to the amount they may charge

for expenses. The principle observed is that as the State imposes a liability on the employer to compensate his employees for vocational accidents, it at the same time provides a means whereby he can effect an insurance against such liability at a reasonable premium.

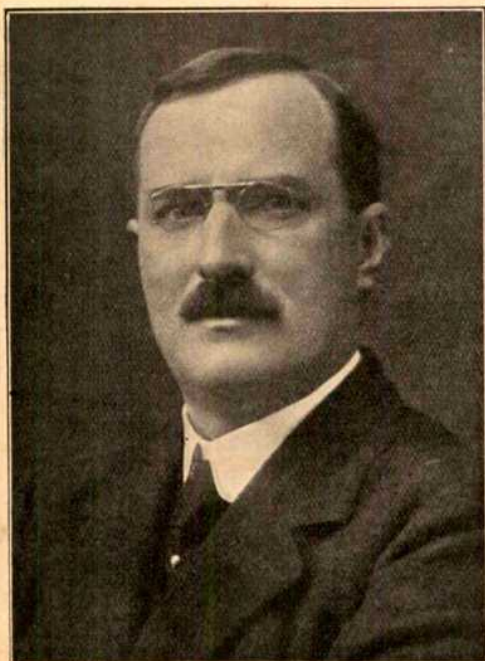
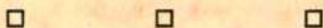
Probable Effect on Companies' Income

During the earlier years of the Workmen's Compensation Acts the offices made heavy losses on this class of business, but during the latter end of the war and the years immediately following they were able to recoup themselves owing to

the rise in wages and activity in trade, while there was not a proportionate increase in compensation.

The tide has, however, turned again, and owing to slackness of trade and the drop in wages during the past year or so the offices have seen their margin disappear, and the new arrangement will probably mean that the offices will not be able in the future to look to this department for any considerable contribution to their profits.

Interference by the State is not, broadly speaking, good to any business, but compared with State insurance, no doubt this is the lesser of two evils.



Photo

Russell

SIR ARTHUR WORLEY, C.B.E., F.C.I.I.

General Manager of the North British and Mercantile Insurance Co., Ltd., who has been elected President of the Chartered Insurance Institute for the ensuing year.



MR. ROLAND DUNKERLEY, F.C.W.A.

Who has been elected Chairman of the Council of the Institute of Cost and Works Accountants for the ensuing year. He is the Works Accountant for the Metropolitan-Vickers Electrical Co., Ltd., Trafford Park, Manchester.

Articles of Association: A Plea for Standardisation

The Futility of Table A

By HENRY HINDLE, F.I.S.A.

Standardised regulations to govern the Articles of Association of every public and private company are suggested in this trenchant article as a remedy for the notorious abuses which have shaken public confidence in existing company law. The writer, who is the Secretary of a well-known North of England concern, severely criticises the directory clauses of Table A.

IT savours rather of an irony that the real instigators of overdue reforms in our various laws are the crafty and the unscrupulous. The amazing ingenuity these gentry display in discovering loopholes in what have the appearance of thoroughly fraudproof statutes is only equalled by the imposing manner in which they proceed to drive their own particular "coach and four" through these legal loopholes.

The post-war exploits of a few "dominant personalities" in the city, made possible by the assistance unconsciously rendered by ornamental, or "guinea-pig" directors, have brought forth many terrible tirades against our Companies Acts, which, perhaps, might have been more properly levelled against the personnel of the unfortunate companies concerned. There have always been financial eagles ready to swoop down on the ever-trusting investing public in times of industrial activity, and the problem of successfully eliminating these undesirables is largely a matter for psychological treatment rather than by company law reform.

Nevertheless, there are certain alterations and improvements necessary to existing company law if we are to take full advantage of the lessons these adventurers have forced upon us. Numerous contributions by company law experts

have appeared in the press during the past few months on these lines, and the object of this article is to outline an additional and hitherto disregarded reform, the adoption of which may go a long way towards proving the ideal lubrication requisite for the smooth working of the Companies Acts.

The Principle of Limited Liability

The importance of simplification in anything appertaining to company procedure cannot be over-emphasised at a time when every business man, and even the average man in the street, is in some way or other connected with or interested in the joint-stock system. From its legalised inception, midway in the last century, the principle of limited liability has gradually absorbed every conceivable form of commercial enterprise; so much so that our daily life in all its phases is now controlled and undoubtedly facilitated by its inherent benefits. In short, it has democratised capital, if such a thing be possible.

Defects of Table A

The many enactments necessary to keep pace with the growth and expansion of the joint-stock system culminated in the Consolidation Act of 1908. Our criticism is directed against the first schedule to this Act, known as Table A,

which purports to lay down the "Regulations for the management of a company limited by shares." These are the articles of association which, *mutatis mutandis*, one would expect applied to every limited company. The fact is, that in their present state, they only apply to a very small and insignificant number of companies. The fault lies primarily in the somewhat unsatisfactory wording of the Table, and, to a certain extent, in the power given to companies to draft their own articles to the total exclusion of Table A. Apparently the existence of the latter power is a tacit admittance of the weakness prevalent in Table A.

Why Companies do not Adopt it

It is probably superfluous to mention that private companies cannot adopt Table A in its present form without excluding clauses 35 to 40 regarding share warrants, and adding articles conforming to the 1913 Act, along with other necessary adjustments. Even where private companies have adopted the Table so modified they have almost invariably found from experience that its application seriously handicapped the administration, and have been put to the inconvenience and expense of convening two separate meetings of shareholders to pass and confirm resolutions enabling them to take on the desired powers by altering the articles; or substituting a totally different set of judiciously framed articles in place of Table A. Public companies, without exception, have their own articles drafted. It is an admitted truth in company formation that to adopt Table A is a "penny wise and pound foolish" plan.

Need for Standardised Regulations

The result of this is that there are innumerable sets of articles operating in company practice to-day. It may be argued that as articles of association are public documents, and also that they

concern only the internal or domestic administration of a company, standardisation is not of much consequence. The answer to the first argument is that it is purely theoretical, as many persons who have tried to obtain copies in the orthodox manner could testify. At best it is an awkward and dilatory procedure. To the second point it may be stated that most special sets of articles contain regulations which affect not only the present members of a company, but also future members, creditors, and outsiders. These regulations frequently differ with various companies in their limitations and extensions, and the fact that every person dealing with a company will be deemed to have notice of that particular company's articles, is a strong point in favour of standardised regulations governing all companies.

Abuse of the Directory Clauses

Of course, a company cannot take advantage of its power to vary Table A by appropriating illegal powers. There are certain invalid articles a company is forbidden to adopt, such as issuing shares at a discount. Nor can it refuse to adopt without variation the few imperative clauses dealing with the basic principles of the law. These we have no quarrel with. It is with the remainder, known as directory clauses, which are "in default of and subject to" the regulations of each individual company that revision and standardisation is urged. Too much scope is allowed in these directory articles, and special sets of articles often contain powers in direct contradiction to the corresponding clauses in Table A.

The following are typical examples of such differences: Table A, Clause 77(b), states that the office of director shall be vacated if the director holds any other office of profit under the company except that of managing director or manager. This is a wise precaution, yet special

articles usually state that a director shall *not* become disqualified for his position of director by reason of holding *any* office of profit under the company. One result of this is the secretary-director, a hybrid combination of two company offices the separate duties of which are absolutely incompatible. Under the same Table A clause, vacation of office is also the penalty a director incurs if he is concerned or participates in the profits of any contract with the company, "provided, however, that no director shall vacate his office by reason of his being a member of any company which has entered into contracts with or done any work for the company of which he is a director: but a director shall not vote in respect of any such contract or work, and if he does so his vote shall not be counted"; but here again special articles frequently allow a director to vote in respect of any contract he is either directly or indirectly interested in. A further example may be found in the various charges stipulated by Table A for duplicate share certificates, transfers, rates of interest on overdue calls, etc., which are repeatedly doubled and even trebled in some special articles.

Another ground for complaint against Table A is that it does not provide for a number of matters which experience has found necessary in modern company practice. The power to pay an underwriting commission on an issue of shares to the public may be cited as an instance. It would appear that to obtain the full benefits of limited liability, a company in drafting its articles is compelled to call in the expensive aid of a highly-skilled expert in company law.

A Way Out of the Difficulty

As is only to be expected, such a position teems with needless irritation and friction, and it is suggested that an easy way out of the difficulty would be to substitute for Table A two standard tables,

one for private companies the other for public companies, to which every limited liability company would automatically be subject. These tables would give in terse and unambiguous language the full extent of a company's legal administrative powers.

Prejudice Against Standardisation

"Standardisation" has always been a hated word in England, no matter of what the things to be standardised have consisted. This economic essential seems fated to have powerful influences to combat on this side of the Atlantic. Ruskin, Carlyle, Morris, and their followers have ever been at work moulding public opinion against its adoption in any form. Probably there is sound argument against standardisation from an artistic standpoint, but it has been left to the Americans to convince us that it is an indispensable factor in successful manufacturing organisations.

Wherever possible, our manufacturing processes are now being profitably standardised, and there does not appear to be any logical objection to the immediate standardisation of our administrative policies. The latter seem to lend themselves to standardisation at least quite as much as the former. All businesses are fundamentally alike, and if all companies were compelled to adopt a standard set of regulations, according to whether they were public or private companies, a good deal of the friction existing to-day would be speedily eliminated.

The Committee of the Stock Exchange has done good work in this direction by refusing to grant official quotations to public companies where the articles have contained oppressive clauses, such as the company taking a paramount lien on fully paid shares (in contradiction to Table A, 9), and not conforming to Table A, 73, limiting borrowing powers. This is a local form of standardisation

which might advantageously be extended to all the matters dealt with, or omitted to be dealt with, in Table A.

Where Uniformity would be Appreciated

What pluralist shareholder would not give something for uniformity in the following matters: notices, transfers, powers of directors, procedure at annual meetings; to say nothing of obviating the inconvenience and annoyance caused by summonses to meetings for the purpose of altering the articles? Standardised articles of association would be "a boon and a blessing" to companies themselves, their directors and secretaries, and everybody coming into contact with them, with the possible exception of the legal profession who would undoubtedly lose a very lucrative branch of business.

A company would still retain its individuality through its memorandum of association, and also through those few articles the particulars of which cannot be standardised, for example, numbers and fees of directors. Suitable blanks would be left in the printed standard tables for the insertion of these particulars, and as the tables could be purchased cheaply at any law stationers or H.M. Stationery Offices, the cost of having to have special articles printed—an item of consideration to many small companies—would be thereby avoided.

Restoring Public Confidence

The confidence of the general public has been somewhat shaken of late, and anything that will arrest and tend to restore this waning confidence is worthy of every consideration. The atmosphere of mystery at present enveloping the

powers of companies is an obstacle to complete confidence, and standardisation would provide the fresh air of publicity necessary to clear the atmosphere of this element of mystery. Articles of association do not contain trade secrets, and sound companies have nothing to fear from publicity: the other type of company does not matter.

Table A Obsolete and Misleading

It is to be hoped, therefore, that when the authorities consider the other company reforms now being agitated, they will also overhaul this obsolete Table A and transform it into what it holds itself out to be, viz., "Regulations for the management of a company limited by shares." Either they must do this or scrap it; it is certainly misleading as it stands. It should not be difficult to quickly put into operation two standard tables, as the Board of Trade has power at any time to vary Table A, although compulsory adoption by existing companies would probably require further legislation. In any case, new companies would come under the jurisdiction of these tables, and many existing companies would not require the force of legislation to make them realise the benefits accruing from their adoption.

Will not some enterprising board of directors give a lead in the matter by forwarding a modern set of articles to the legal advisors of the Board of Trade? A simple request that same be compared with Table A would, it is anticipated, be argument sufficient to set in motion the machinery necessary for the revision of Table A and the standardisation of articles of association.

If you appreciate this magazine, tell your friends about it. If you don't appreciate it, tell us. We should appreciate either action.

Co-operation

By VINCENT E. JACKSON

Secretary, Office Appliance Trades Association

How the cultivation of a spirit of greater co-operation between competing firms by the interchange of mutually helpful views and for common protection engenders appreciation and results in better business all round, is the point of this stimulating sales talk.

AFTER a recent business exhibition held in London a visitor remarked to one of the officials, "This exhibition is unique. Not only is there a happy absence of hostile display between competing firms but one exhibitor, not having exactly what I needed, actually took me over and introduced me to his competitor so that I might be well and truly served."

Undoubtedly this speaks volumes for the exhibitors and is illustrative of what can be done by "working together." Here is a case where one man did his competitor a good turn. It is hoped that the two firms concerned now respect each other greatly. Better feeling amongst traders is healthy and good for business. Again, not only was the customer satisfied, but he had an enhanced opinion of the trade as a whole.

Multiply this and we have increased business all round and the business community in general gains confidence in the trade.

It is strange that such simple logic is applied to so few businesses. Indeed, on reflection, we find many clever people in this world who fail to perceive a fundamental truth.

Take a broad view of life, cultivate a sense of imagination, serve mankind, both fellow-traders and customers; in short, "pull together," and there is created—co-operation. And the result is—Better Business.

New Types of Co-operative Organisations

It is, after all, very much a common-sense point of view. A natural racial conservatism has inclined the business concerns of this country to be slow in accepting this fusion of interests amongst competing firms. We have viewed our competitors with suspicion and mistrusted any form of "association." American and German firms have for many years reaped the benefits of co-operating in a consultative manner. By an "association" is meant the banding together of members of one trade for an interchange of ideas and views, and for mutual protection with a view to improving the trade. It is something far greater in its conception than a "trust" or "combine." Competition not only still goes on but is encouraged. The unhealthy elements in the trade are gradually weeded out. It lifts up the trade and places it on a plane worthy of itself. It is gratifying to find that this fact is being more and more realised in this country. To-day we have several organisations which, whilst helping each and every member to get more business, have absolutely no control over prices and policy.

Internal co-operation is another phase of this interesting subject. In fact, it is the preliminary and essential step towards that greater co-operation between firms themselves. It is the oil that makes

the machinery of organisation run smoothly so that the executives are not hampered by petty rankling between departments and individuals.

How the Individual can Help

Here the individual can assist for the common good. Little imagination is needed to perceive that such co-operation can only react for the good of himself and his fellow workers. A traveller confined to a distinct territory is not very far-sighted if he ignores the opportunity of passing possible business on to his fellow representative because it is not in his territory. A clerk is surely improving

his own position by doing his best to work *with* his superiors, by making suggestions for the elimination of unnecessary work and for the increase of sales. A sense of loyalty is a great factor in the case of the individual.

Co-operation between traders of the country; between members of a trade; between individuals in a business; a "working together" for the common good—all essential factors for more and better business, and that is certainly what we want. It is worth remembering that without co-operation vast sales and advertising campaigns would be of little value.



The German "Drummer" in Spain

Demand for British Goods

PROGRESS in the industrial development of Spain since the war has been somewhat remarkable, and business men in this country will do well to revise any traditional ideas they may have about the slow-moving Spaniard. Business is flourishing there, and active steps are being taken to develop the rich mineral resources of the country. The influence of the Court is now definitely on the side of industrial enterprise, the King having recently evinced great personal interest in the big developments that are pending in various directions. What is more, it is known that a closer *rapprochement* in the commercial relations of England and Spain would be especially welcome in the Peninsula.

Mr. Hugh Redwood, the Foreign Editor of the *Daily News*, has recently visited Spain for the purpose of investigating these new developments, and his vivid descriptions have been of great interest to business men. We quote a typical passage:

"There is one thing, however, that one is not allowed to forget, and that is the German 'drummer.' In my hotel on the Rambla there must have been at least half a dozen commercials from various parts of Germany. They were young, alert men, all speaking

Spanish well, and all, apparently very satisfied with the business they were doing with the aid (I was told) of catalogues printed in Spanish with quotations in pesetas and measurements on the metric system.

Now I was repeatedly assured that the Spanish business man would prefer to do business with English firms. It was urged upon me that we simply cannot afford to ignore our trade chances in Spain, one of the few countries where the value of money is almost normal and where there is a real demand for goods of British quality.

But how do we go about it? I met in the train the other day an Englishman travelling in a line for which there is crying need here, and in which British manufacturers are supreme. He knew no Spanish, he did not even know enough French to ask, at a French station, to be taken to Cook's interpreter; but in lurid English he denounced the wrong-headedness of the firms who withheld their orders from him.

This kind of thing must be the despair of the Commercial Section at our Embassy in Madrid, where I was told that inquiries for British merchandise were very numerous. Sir Esme Howard, the British Ambassador, said—and it is worth emphasising—he had long felt that the University of London should undertake the training of commercial travellers."

The Development of the Amazon Region

By CHARLES W. DOMVILLE-FIFE

Late Correspondent of "The Times" in South America. Author of "The Real South America"; "Through Guatemala and Central America," etc.

The author of this graphic descriptive sketch has just returned from a journey of 2,000 miles on the Amazon River. He says a new era of exploitation is dawning in Amazonia, and gives a vivid picture of the remarkable commercial development which is taking place in the heart of South America. Important new commercial products are described, and attention is drawn to the great opportunities which exist for British trade expansion.

THE Amazon is the greatest river in the world, but, unlike the Yang-tse-Kiang, the Nile, the Mississippi, the St. Lawrence, and other great fluvial highways, it is as yet but little developed from the commercial standpoint, notwithstanding its wonderful possibilities. The surrounding region, which forms the tropical belt of South America, is as large as the whole of Europe, and possesses in abundance almost every variety of natural produce. Its size and accessibility to the open sea will be better realised when it is pointed out that the network of rivers forming the Amazonian system is estimated to have a total length of 150,000 miles—of which about 30,000 miles is open to steam navigation. Ocean liners can penetrate from the Atlantic for a distance of over 2,000 miles into the heart of the South American Continent. One Liverpool maritime concern is now sending its premier liner—a vessel of 7,000 tons—up this great river for a thousand miles, into the heart of the equatorial forests, on a pleasure cruise!

Centres of Commerce

The city of Pará, situated at the mouth of this wonderful river, Manáos, a thousand miles inland, and Iquitos, 2,000

miles from the sea, are the three chief centres of trade and commerce. They are no longer small settlements of adobe, stucco, and palms, but are growing commercial towns, with well-equipped harbours, electric light and tramway services, water supplies, drainage systems, theatres, cinemas, hotels, and shops. They have an aggregate population of over 200,000.

This remarkable region, which until quite recent years was only accessible to the white explorer and the *caboclo*, or Indian, is at last awakening from its primordial sleep. Although during recent times the whole of Amazonia, in common with Malaya and other tropical countries, received a serious set-back from the fall in the price of rubber—its staple industry—this period of deep depression is fast passing away. What was then considered locally to be an irreparable commercial disaster is now beginning to prove a blessing in disguise. In the first place, the hectic days of sylvan gold have passed away, leaving a saner atmosphere and a sounder basis for economic development. Rubber which could then only be produced at high cost can now be profitably sold at 3½ milreis per kilo. Secondly, the bursting of the rubber bubble has caused both political and commercial

attention to be focused upon the danger of dependence upon one staple industry. The commercial coteries of Amazonia are expanding their ideas. New and wonderful natural products are being discovered and laboriously exploited almost every month, and there is ample scope, for the million square miles of forest, river, prairie, and mountain comprising this wonderful land of the future are veritable storehouses of natural wealth.

Rubber and Nuts

Brazilian rubber has long been known for its fineness and quality in the markets of Europe and the United States. Its indispensability for certain purposes, notwithstanding the enormous and systematic production of this commodity in the Far East, is generally admitted. "Pará Hard Fine" still has its market, and is brought to Liverpool in considerable quantities. The improvement in the market price of rubber towards the end of 1922 revived interest in the collection of the latex. The variety known in Manáos as "Up-River Fine" averaged about \$3.60 per kilogramme, and the price of "Caucho Ball" also improved. The export of rubber from Manáos increased from 10,646 tons in 1921 to 11,165 tons in 1922. The prospects for the present year are quite good. It is interesting to note that the rubber-seeds with which the now great plantation industry of the Far East was founded were obtained by a Mr. Wickham from Brazil in 1876.

Judging by the amount of Brazil nuts seen in the shop windows, these exclusive products of the Amazon forest would not appear to be common commodities in the full sense of the word, but, nevertheless, during the 1922 season nearly 15,000 tons were landed in Liverpool in bulk, and, although procured in the remote twilight forests of this immense region, often hundreds of miles from Pará, Manáos,

or Itacoatiara, the three principal river ports for shipment, little loss of either quality or quantity was sustained. The nuts grow in large pods, similar to coconuts in appearance. These outer cases are split open and the product, as seen in the shop windows of civilisation, is extracted.

Cotton and Kapok

Another commodity from North Brazil which is becoming increasingly well known is cotton. The varieties of this important article which now come from the coast states of Ceará and Maranhão already compare very favourably with similar products from the United States, which, in the opinion of a well-known Manchester expert, they should soon equal in quality. Cotton is also being exported to England from Iquitos. This variety is a rough cotton suitable for spinning in combination with wool. The 1923 crop is expected to be very large.

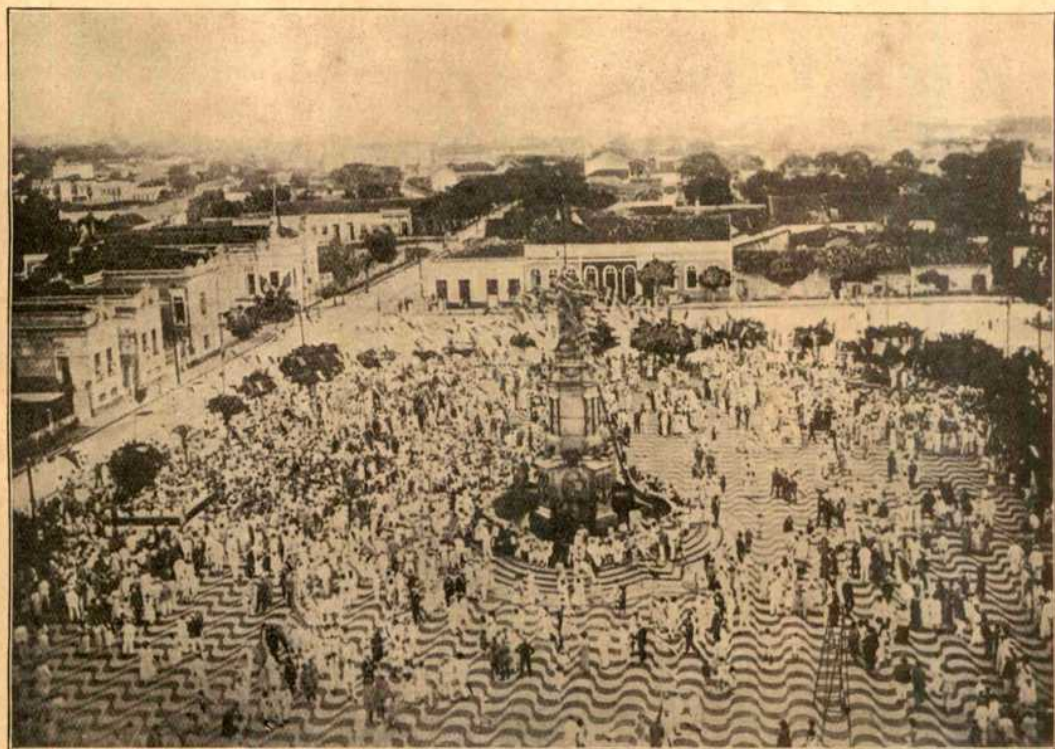
While dealing with the question of fibres, mention should be made of piassava and kapok. The latter becomes increasingly important on account of the oil now being obtained from the seeds. This resembles cottonseed oil, and is used for soap-making. The fact that the seeds now command about £10 per ton in the English market is a point of considerable importance to those contemplating the exploitation of the fibre.

A Wonderful Discovery

Among recent developments perhaps the most sensational, and at the same time commercially important, was the finding of the "Turpentine Tree." This queer giant of the equatorial forests on being "tapped," or pierced, yields, what is called locally, anamoim oil. Although not exactly turpentine, it resembles the French variety of this spirit very closely in physical characteristics.

The tree from which this Amazonian turpentine is obtained is one of the *Lauraceae* family, and is very abundant in the Amazon Valley. The spirit is released by boring two holes into the heart of the tree. One hole is made high up the trunk to form an air inlet, and the other low down the bole to act as an

Tests have been carried out in the North of England with regard to its suitability for mixing with paints, varnishes, and polishes, and the results have proved eminently satisfactory. There is little doubt that in future there will be a considerable demand for anamoim, or Amazonian tree-turpentine.



CITY OF MANAÓS

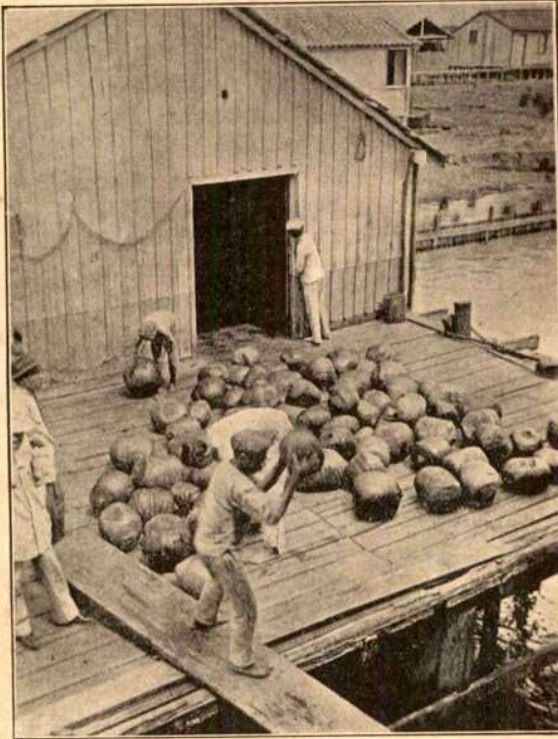
outlet for the spirit. When it leaves the tree the turpentine is practically pure, the only mixture being a little water and protein.

So important is this discovery, and so little is known about it in Europe, that it may not be out of place to give here the following comparison with Russian turpentine—

	Anamoim.	Turpentine.
Specific Gravity	.860	.855-.870
Distillation Point	145° C.	160° C.
Flash Point	45° C.	93/95° C.

The New Copra

The forests are full of queer trees and plants about which little or nothing is at present known. From the numerous varieties of oilseeds and kernels, suitable for margarine, soap, and candle-making, the babassu, tucum, and ucuhuba are, however, already being used in considerable quantities. The first of these now commands almost the same price as copra. There is a romance of quickly-acquired wealth behind the adaptation of many of these forest products to the requirements of modern industry. More



LOADING BALLS OF CRUDE RUBBER

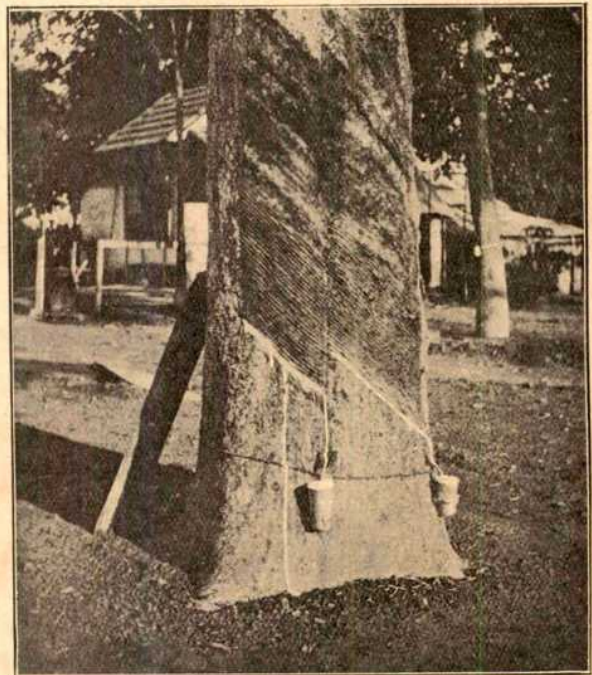
prosaic, but equally as important commercially, is the steady increase in the production of cocoa, the collection of carnauba wax, which is used in polishes, and ivory nuts, from which pearl buttons are made. Medicinal herbs and essences, such as vanilla and sarsaparilla, are collected by the natives and sold to the *barracas*, or up-river stores. Mahogany, cedar, and teak, of which there is an almost unlimited supply in these million-mile forests, are floated down from the far interior in the form of huge rafts, upon which families live for weeks in crude grass huts while hundreds of miles of river are being traversed with the current to the centres for shipment.

Sylvan Gold

It is difficult to understand many of the industries of the Amazonian

forests and rivers unless a close personal acquaintance with them has brought a measure of enlightenment. The gold rush has been made familiar to almost everyone in both picture and story, but a rubber stampede is an incident peculiar to the rivers of this mysterious region. Yet the isolated city of Manáos, on the fringe of the great unknown, and a thousand miles from civilisation, has witnessed many hectic days during the great rubber boom.

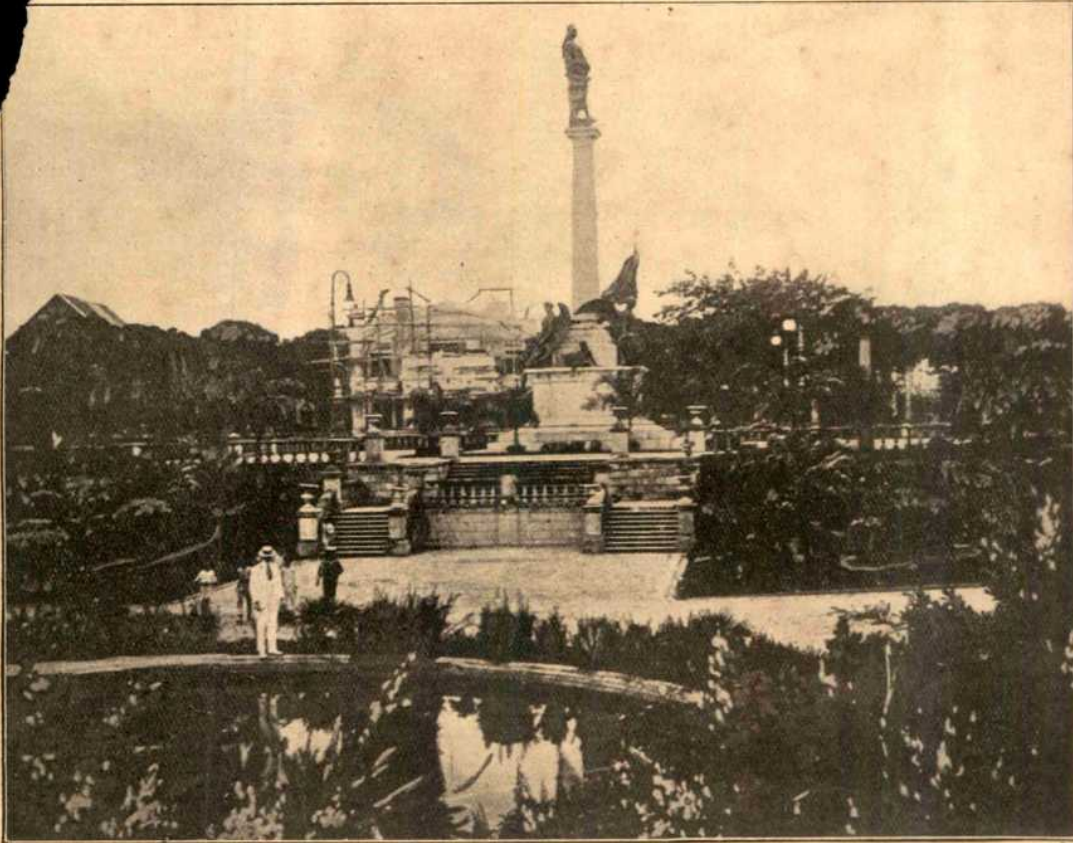
Last December, in the Peruvian township of Iquitos, great excitement was caused by a sudden cabled demand from civilisation for balata—the rubber-like substance now being used for insulating electric wires, and for machine belting. The rush for the distant rivers and forests commenced in a few hours. Launches and canoes were filled with enthusiastic “Balateros” bound for the twilight forests of the Alto-Marañon, Huallaga, and



TAPPING A RUBBER TREE

ts—all of them over a thousand
the cities, the ships, and the
Hundreds of trees were cut
and destroyed in the frenzied haste
to collect the precious latex. Many of
seekers for this sylvan gold lost their
lives in the snake-infested swamps, the

infancy. It is now settling down to a
period of steady development. Merchants
are endeavouring to improve the quality
of the supplies, and boilers have been
erected in which the balata is now washed
in order to remove the foreign matter
added by the native and caboclo (or



A CORNER OF PARÁ, AT THE MOUTH OF THE AMAZON

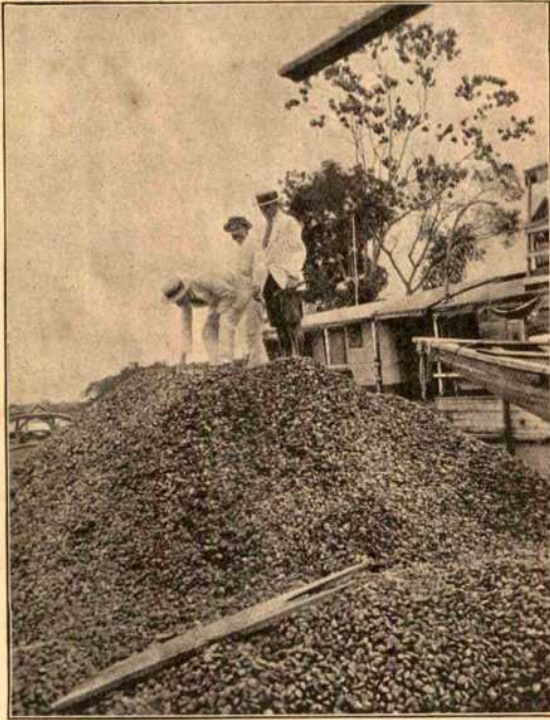
unknown jungles, or from the poisoned
arrows of hostile tribes.

The enthusiasm reached Manáos, a
thousand miles down stream, and the
Rivers Branco and Negro were success-
fully searched for these valuable wild
trees. From 10 to 12 milreis per kilo-
gramme was paid for "Prime Block"
and "Prime Sheet" balata, and all
available supplies were immediately sold.
Although known and collected for some
years, the balata industry is still in its

half-breed) collectors to make up the
weight. The Government, which exists
many hundreds of miles away, is making
a half-hearted endeavour to stop the
wholesale destruction of trees, such as that
which took place during the rush to the
forests. Much could be done by teaching
both the merchants and collectors the
scientific tapping of these peculiar trees.

Nation-making

Iquitos, and the whole region of the



BRAZIL NUTS

Upper Amazon, suffers from the great economic drawback of remoteness and inaccessibility. The river is the only link with civilisation, and even this fluvial highway is nowhere less than a thousand miles long, with the snowy Andean passes, 15,000 ft. high, also intervening on the Pacific side. The river road to the Atlantic has no mountain barrier, but is over 2,000 miles in length. The obvious solution is an aerial transport service, and both British and American aviation experts have been studying the problem. An arduous journey of several weeks would by this means be reduced to a few hours. Great

enthusiasm has recently in Iquitos by the possibility a service will soon be organised with the aid of a Peruvian mail sub-vention.

That a new era of exploitation and development is dawning in Amazonia is evidenced by the granting of a concession to a Mr. R. W. Dunsmuir for the construction of about 2,400 miles of railway in North-eastern Peru. This valuable concession covers not only a perfect network of railway lines, but also exclusive mineral and oil rights over an area of 20,000,000 acres. The cost of these lines is estimated at £20,000,000, and a powerful syndicate is being formed in London and New York. Among the conditions under which the concession was granted by the Peruvian Government is one which provides that the railways are to belong to the concessionaire for a period of 45 years, after which they revert to the Government, unless they are purchased outright by whoever then owns the concession.

With regard to oil in the Upper Amazon region, it is considered likely that there



DRYING COCOA ON THE BANKS OF THE AMAZON

are several good fields. Two American expeditions have been exploring for nearly two years in the Alto-Marañon, Huallaga, and Ucayali river regions, and it is believed that they have met with a certain measure of success.

An American Settlement

The Peruvian Government has granted a large concession of land on the banks of the Pachitea River—a tributary of the Upper Amazon—to a syndicate called the Peruvian Land and Development Company. This American concern is forming a colony at the junction of the rivers Sarayacu and Pachitea, upon a site called Puerto Leguia. An advance party of about 100 men have already reached the location, and are engaged in clearing the forest for building and other purposes. This advance guard is being followed by a second party, 300 strong, which left San Francisco on 13th April. The families of these men—each of whom

must possess a minimum of a thousand dollars and be of good education—are being transported, by way of the Amazon, to Puerto Leguia early in July. This colony will then consist of about 1,200 men, women, and children.

An Amazon Cruise

No longer is the main stream of this mighty equatorial river the exclusive preserve of the explorer, the naturalist, and the pioneer-colonist. It has been conquered for the ocean-tourist. The R.M.S. *Hildebrand*, a 7,000-ton vessel of the Booth fleet, leaves Liverpool periodically for a cruise which includes the passage of this isle-blocked and mysterious river of unequalled tropical beauty and romance. The heart of the South American Continent is penetrated through the great equatorial forests of Brazil. It is surely the *dernier cri* of world travel, and a milestone in the development of the Amazon region.



British Engineering Firm's Success

German Competitors Beaten

WE have pleasure in announcing that the contract for the new city water supply system for Reval (Esthonia) has been awarded to The Paterson Engineering Co., Ltd., of Windsor House, Kingsway, London. The fact that the contract was obtained on an estimate of 142,000,000 Esthonian marks (about £90,000 sterling) against others lower, including one submitted by a German firm, Siemens Bauunion for 139,000,000 Esthonian marks, is a striking tribute to the appreciation abroad of Britain's leadership in efficient engineering. It is interesting also to know that the work was tendered for at very short notice, and the contract obtained in

the face of severe competition of firms operating closer geographically, and favoured by the knowledge, dating back for a considerable time, that the undertaking was in view.

This is not the first similar contract obtained by the Paterson Engineering Co., Ltd. They were successful in securing the important Johannesburg Filtration contract in the face of keen German and American competition. They have also been responsible for the purification of the water supply of—among other Colonial and Foreign towns—Bombay, Simla, Lucknow, Delhi, Hyderabad, Johannesburg, Frankfort, Kobe, Fushun, etc.

The Day Book-Ledger

(With Rulings)

By W. REGINALD BRAY

THERE are many businesses which will find the Day Book-Ledger a long looked for accounting boon, for it is simple and time-saving when used for the purpose for which it is designed.

Let us assume a trader to be selling thousands of single articles to different customers to whom ordinary business credit terms have to be given, yet none

invoice is entered in this column and the total posted to the credit of "sales account" at the end of the month.

Column 2. In this all cash received is entered with folio for reference.

Column 3. This is reserved for any returns, allowances made, and bad debts written off. For book-keeping purposes the total is analysed at the end of the

THE DAY BOOK-LEDGER.

		(1)		(2)		(3)		(4)		(5)		
Date.	NAME AND ADDRESS.	Order No.	Amount of Invoice.		Date Paid.	C.B. Folio.	Amount Paid.		Credits, Allowances, Returns, or Bad Debts.	Balance Unpaid.	S.L. Folio.	Transfers to Sales Ledger.
1923 Jan. 2	Jones, M. & Co., Birmingham	1	8	6	1923 Jan. 6	196	8	6				
3	Collins & Sons, Newcastle	2	17	6	20	202	17	-	Allee. - 6	17	-	
5	Murray Bros., Bedford	3	17	-					B.D. 17 -			
6	Hall, D., Worcester	4	17	-							90	25 -
7	Bell, J. M., Hull	5	25	-								-
			28	-			1	5	6	17	6	25 -
		The numbers in this column are those the customers should be asked to quote.)	Post Total to Credit of "Sales"						Analyse this Total at end of month and post to Debit of Allowances, Returns, or Bad Debts accordingly.	Enter on Trial Balance when books are being balanced.		

of whom seldom purchase more than one of these particular articles. To avoid the hundreds and hundreds of postings which would be involved by opening separate ledger accounts for each purchaser one has only to use the day book-
 ledger, and if by chance should a customer become a regular one or promise to order large quantities, the account can at any time be transferred to the ordinary sales ledger by means of using column 5 in the illustration.

The rulings are very simple and may be explained as follows—

Column 1. The total amount of the

month and the totals posted to the debit of the respective accounts.

Column 4. At trial balance time the amounts owing are extended into this column and added up, which gives the total debtors on this ledger.

Column 5 has already been referred to.

A check can always be made on the columns, as Nos. 2 to 5 inclusive should always equal No. 1 at trial balance time.

If after any balancing period the debts outstanding in column 4 should be paid (as is bound to occur) the cash is still posted opposite the original entry and the amount in column 4 is ruled through—

the column being, of course, re-cast at every trial balance period until the column is exhausted by payments, credits, or transfers. If, on every invoice dispatched, a note is printed in red asking the customer to quote the order number, when remitting it will be very easy to trace the entry into the day book-ledger when posting the cash, for this number can be entered in the cash book when it is being written up.

On the invoice sent to Hall, of Worcester, should, therefore, be the following—

PLEASE QUOTE
THIS NUMBER

4

WHEN SENDING
REMITTANCE

Should any item in the "balance" column not be eventually *paid* and require to be "written off," it must be

Education in Industry

ABOUT two hundred well-known firms are now subscribing members of the Association for Education in Industry and Commerce, which held its fifth annual conference at the Memorial Hall, Farringdon Street, E.C., on Wednesday, Thursday, and Friday, 11th, 12th, and 13th of last month. The attendance was somewhat disappointing. Mr. H. Gordon Selfridge was elected Vice-President for the ensuing year.

Lord Burnham, the President-Elect, who was introduced by Sir Archibald Denny, the retiring President, delivered a forceful address

transferred to *bad debt account direct* by means of using the "transfers to sales ledgers" column, and should be entered in red to distinguish it from a sales ledger transfer.

The column provided for bad debts would obviously be *useless* for items outstanding *after any trial balance period*, as it would have been totalled up and already posted.

on educational progress in general, and the application of educational science to industry. He said the Association was veritably a clearing house for educational ideas and methods in business. The formula of the future was maximum production plus maximum economy. He particularly stressed the value of vocational selection, which was receiving very great attention in all countries and in no country less than in our own. It was one of the clearest pointers to the elimination of the unfit.

A valuable address on "Education for Executive Positions," given by Mr. J. Knox, M.A. (Lever Brothers), was followed by an animated discussion, in which Principal Schofield, B.Sc., Miss Gladys Burlton, Mr. Morley Dainow, Mrs. Cloudesley Brereton, and others took part.

Sectional meetings, and a business session which included the annual meeting of the Association followed, and on Friday morning there was a general discussion, opened by Mr. Percy A. Best (Director of Selfridge & Co.), on "Personality in Business." At the afternoon session Mr. J. Knox introduced the subject of "The Cultivation of Hobbies," and Mrs. Robins (Handleys, Ltd.) that of "The Educational Schemes of Moderate Sized Firms."

Who's Who in Business

Sir Eric Geddes

By T. P. O'CONNOR, M.P.

A fascinating character-study of perhaps the most representative British business man of the day by the equally famous journalist who is the present Father of the House of Commons.

THE first time I ever saw him was in Lloyd George's room at the Munitions Ministry in its temporary home in the Hotel Metropole. I don't know whether that was a few years or a few centuries ago. Whatever the length of the interval, I have a very distinct recollection of the meeting; for Eric Geddes is a man who, once seen, is always remembered. That clean-shaven face, with the heavy and almost affrighting jowl, with the strong though short nose, the compressed lips, and the dour and somewhat impassive expression, together with the suggestion of the rudest health and the restlessness of the muscular figure and the ruddy complexion, are such an almost dramatic embodiment of all the qualities that give the Britisher the look of bull-dog courage, determination, and strength that you can never forget it. Even in his way of entering the room there was the suggestion of the cyclonic temperament. The interview was characteristic: just two questions to his chief, brief and answered briefly, and Eric Geddes had left the room and was back to his own.

My next meeting was in the same room; again it was with Lloyd George I was talking, and forgetting that I had met Geddes before, Lloyd George presented him to me, calling him "Mr.," then pausing, and with his well-known quizzical smile, stopping to say, "I beg pardon, Sir Eric Geddes"; for, in the interval, Sir Eric had received this of

recognition for the tremendous work he was doing in producing those mighty shells and guns, dazzlingly shining specimens of some of which were all around Mr. Lloyd George.

I came to know Sir Eric a good deal more when he entered the House of Commons and became a Minister. Sometimes I went on deputations to him; we made our case; he never objected to the length and number of the speeches, but sat patiently in his chair—silent, impassive, enigmatic. Then he answered with halting delivery and somewhat awkward language—evidently he hated the business of talking—but there was no mistaking his meaning. It was a courteous but a very emphatic "No." Even disappointment did not blind us to the courtesy and the really good humour which the obstinate and resolute Minister extended to us; and as we filed by to shake his hand when we parted, it was almost as though he had been our best friend instead of our bitter disappointment. There was something taking in the rugged simplicity, the unadorned language, and the good-natured manner—a little grim, when one looked at the powerful and rather dour expression of the face.

It was the same in the House of Commons. When he got up to introduce a bill you could see that he hated the job; that he felt no natural aptitude for it; that he just had a simple story which he could only blurt out in his even, low tones;

that the measure had its merits, and that on its merits and not on his advocacy it must stand. He looked the good-natured bull-dog, but the bull-dog all the same, who never relaxed his grip.

A Great Man of Business

I heard, mainly by private whispers, of what a tearing devastating force he had been in all the many jobs to which, in succession, he was appointed; sweeping away, as by an earthquake, old traditions, old officials, all obstacles, real or created by official routine or arrogance of self-sufficiency. And above all, he shocked some red-tapists by the speed and the ruthless daring with which he not only knocked down but created methods of delegating work so that every job might have its appropriate man and its necessary staff. Lord Carson was his predecessor at the Admiralty, as everybody remembers. The two had an interview before the one left and the other came in, and Lord Carson told, for many a day after, the feeling of something like affright with which he heard Geddes detail his intentions. "How many secretaries have you?" was one of the questions Geddes asked of Carson. "One," said Carson, mildly. "I'll have four," replied Geddes. Now Carson, as is known, is an Irishman and Geddes a Scotsman; one was a lawyer and the other a great man of business; one worked in his narrow chambers in the Temple; the other had been superintending hundreds of miles of railways and thousands of workmen. Carson retained that terror of big figures in money which is the characteristic of Irishmen; every Irishman is half spendthrift and three-quarters miser—to employ an Irishism; and poor Carson was affrighted. But Geddes had the right ideas; the head of a department—especially in war-time—must learn as the first condition of efficiency that he shall surround himself with men who will take the smaller things off his shoulders.

The Man for the Biggest Jobs

It was the same thing when he took in hand the organisation of our railway system at the front. It was a problem whose gigantic difficulties were increased by the steady, quiet, convinced opposition of those difficult, if not impossible, persons in the Army who resent the intervention of the civilian as at once an insult and a disaster. Confusion worse confounded was the railway situation at the front; blocking here with too much material, impotence there from starvation, irregularity everywhere. Geddes brought order out of the chaos; but who could describe in full the ardent struggles, the patience, the resolution, the civility, coupled with inflexibility, which Geddes had to display to break down all these gigantic obstacles.

Thus he went from one big job to another. Whenever a big and embarrassing bit of work had to be done in the fight with the splendidly organised enemy forces, it was Geddes who was sent for. Until, in the end, as a clever brother—now the Ambassador at Washington—was keeping step with him in the same chase after efficiency in many departments, the popular joke in the smoke room of the House of Commons came to be—"What is the plural of God?" The answer was "Geddes."

The Geddes Axe

Finally there was that marvellous bit of work, the examination of the accounts of all our departments, with the terrific proposals that came to be well summarised in the "Geddes Axe." Just try to think what it involved—this examination of accounts that ran into tens of hundreds of millions in amount, into thousands of millions in items. If you have ever studied the estimates of the Public Department submitted every year, you will get some glimmering of what this

terrible task of Geddes was ; perhaps you'll get some idea when you learn that side by side with tens of thousands voted in an estimate, you come across the small annuity of the charwoman that sweeps the rooms and the rat-catcher that chases the rat in the great public buildings.

A Mighty Worker

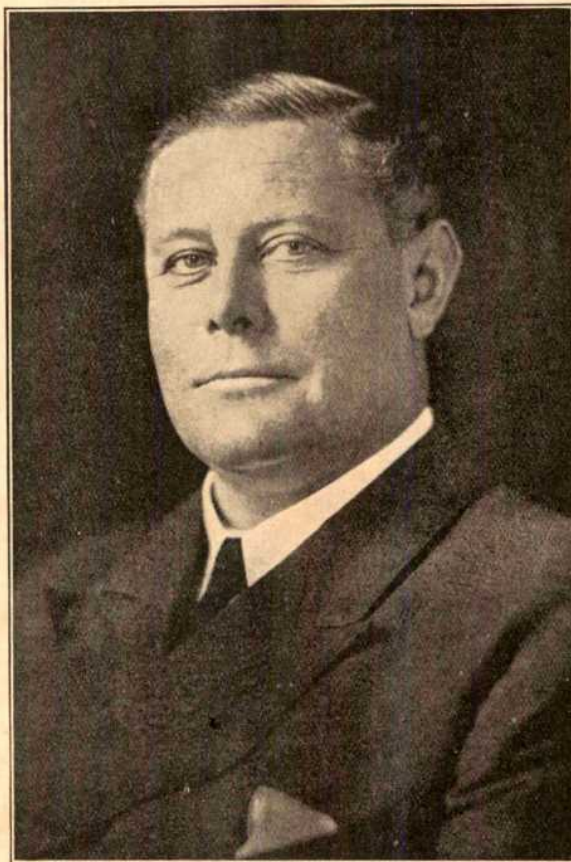
How did he do it ? The best explanation is his incredible power of work. He can work, and often has worked thirty-six hours on end ; but he has the other and equally necessary quality—he can sleep for seventeen hours at a stretch after an unusual bout of killing toil, and then rise up pink and smiling as though he had only returned from a game of golf in an invigorating summer breeze.

This power of continuous work rises to something like a fever when he is given a specially difficult job. He goes at it at once ; but it is impossible to get him away from it from the moment it is begun ; he is like a man fleeing from a horrid phantom until he has brought the whole job to an end. This enthusiasm for work is infectious. You would think that so hard a taskmaster as such a man must be hated ; I believe he is loved as well as respected by all the staffs

he ever had to organise and to slave-drive. I have spoken of the grimness of his expression ; it is a mask, for he is a man of warm affections and of a very keen sense of humour. He can laugh at himself. Once I spoke to him behind the Speaker's Chair at the House of Commons when

he was waiting to go to his uneasy seat from which presently he had to propose a bill. "Why so glum ?" I asked him. "This," he replied, with a twinkle, "is my pleasant expression."

He takes exercise and recreation as vehemently as he works ; he keeps his wonderful health largely because he spends so many hours, whenever the opportunity comes, on the golf links ; he is fond of his club ; he is fond of a vacation with his three sons and his wife ; he takes life at almost



Portrait

SIR ERIC GEDDES

Keturah Collings

every angle with the same enjoyment.

Lucky Dunlops !

This is the man who has taken in hand the direction of that vast world-wide organisation, the Dunlop Company, with its immense ramifications in America, in France, and in the rubber plantations of the East. Lucky Dunlops, to have captured the ideal man among the great working men in the world to take on this great job.

"Youth Will be Served"

The Young Man's Point of View on Office Organisation and Management

By A SPECIAL CONTRIBUTOR

The treatment of personnel is a problem which is frequently discussed from the standpoint of the employer, but less so from that of the employee, who is just as vitally interested in its solution. This provocative article expresses the views of the employee with startling vigour and candour, and we hope it will be widely discussed by our readers.

IF one can judge from the Press, the crowning point in a successful business man's career is the interview when he is urged, for the sake of all the struggling young men of the world, to divulge the secret of his success. The great man thereupon proceeds to deliver himself of sundry platitudes, complacently regarding his own admirable virtues which are reputed to be the cause of his achievement of success. In some cases the pride is justifiable, but there are others in which one cannot but feel that the interviewed have been mere puppets, greatness having been thrust upon them.

This is not the cynical tirade of a jaundiced failure against the fortune of better men, but it is a vehement protest against the popular idea that success in life necessarily follows upon the possession and practice of certain virtues or modes of thought and habit. The writer, a young man, is heartily weary of reading lectures as to what a young man should do, both as regards study and in business life. No doubt, the rule is applicable to some, but with the great majority the deciding factor in the attainment of success is not Ability but Opportunity, not Perseverance but Push, both assisted by judicious bluff.

How to Deal with the Chronic Grumbler

The demoralising effect of the canker of dissatisfaction upon a staff is greater

than is generally realised, as it reduces the efficiency of a staff very materially both as regards the quantity and quality of work. According to Arnold Bennett, an employer desires harmony amongst his employees more than anything else. Within reason, employees should not be allowed to dissipate their energies in grumbling. Incidentally, as Lord Beaverbrook recently remarked, "a persistent grumbler is a terror to a business and a curse to himself." A man with a permanent "grouch" should be given the Bairnsfather choice of finding "a better 'ole" or making the best of his own, for not only is discontent bad for the individual but it is most infectious and few are entirely immune from it.

Uncertainty of "Prospects"

There are many causes of unrest and what is even worse, the mental lethargy which follows closely upon the loss of ambition, but the most important is the uncertainty of one's "prospects." Every keen young man worth his salt is impatient to climb and does not object to hard work, but he does wish to know definitely whether he is on the ladder or in a *cul-de-sac*. In the average office there are many positions which do not lead anywhere, and unfortunately it is just those tasks which, if done efficiently, are likely to prove a mill-stone to the individual concerned. In the writer's experience, a youth (a perfect example of a square peg

in a round hole) was given unique experience in various departments merely because he proved to be a failure wherever placed! Had he made good in his first position, that would have been the limit of his experience. Is that fair to the employee or his colleagues? Emphatically not, there should not be any recognised "dead-ends" in an office, and those at the head of a business should be sufficiently familiar, not only with their personnel, but with the duties of each position so that there is no possibility of a promising young man being allowed to eat his heart out indefinitely.

The Employer's Responsibility to his Employees

It may not be admitted that an employer has any responsibility to those in his service except in the matter of remuneration, but the writer affirms with confidence that the principal of a private firm and the executive officials of a company should appreciate that everyone in their employ has a right to know whether there is any prospect of his advancement. The man who is sufficiently ambitious to worry about his future and is told frankly that there is not much ahead of him will not lose any opportunity, either of proving his worth or seeking "fresh woods and pastures new." If a clerk is of no use—and the commercial world is full of misfits who were thrust into office-work by fond parents because of its alleged respectability—it is the kindest thing to tell him so and, if possible, assist him to more congenial employment. The immediate dismissal of all "duds" is not advocated, but a policy of judicious selection and elimination should be maintained. Those of no real use should be encouraged to look elsewhere, for their own benefit and that of the firm's. The latter will, or should, engage a better man, and the late employee will, if his incapacity

be temperamental, endeavour to find his own sphere. If it be mere laziness, the shock of unemployment will act as a spur to fresh effort. It is a *sine qua non* that any inaptitude shown by an employee for particular work should have been discovered long before it is too late for the latter to adopt another career.

Hutchinson in *If Winter Comes* gives a perfect cameo delineation of a type of principal well represented in both public and private companies, the man who is absolutely self-sufficient and devoid of warmth. Mark Sabre repeatedly endeavouring to clinch the well-earned and half-promised partnership, finds every argument blocked with the frigid "Not to-day, I have decided." The half-promise to an employee often misleads and is often intended to mislead. Everyone is familiar with the promise usually made to a young man endeavouring to ascertain where he stands. At the cost of reiteration although every office must necessarily have a number of "hewers of wood and drawers of water," they should be limited to those whose capacity is insufficient to justify a higher position. This will entail the principal having a personal knowledge of each individual, or, if such be impossible owing to the magnitude of the staff, he will require a report from some responsible person, such as the departmental chief. It is those immediately above the clerk who can judge of his real value, and whether his work be genuine or mere "eye-service." Nevertheless, a subordinate's report should not be accepted alone as sufficient evidence of incapacity, otherwise an opportunity is given to any unscrupulous person to engineer dismissals of those with whom he does not see eye to eye. As everyone knows it is possible to delay a man's opportunity or even damn his career by an expressive shrug of the shoulders or lift of the eyebrows.

Opportunity for Everyone

Each member of the staff should be given to know that the topmost rung is open to the man who earns it, and every encouragement given to those who are studying theoretical knowledge where practical experience is out of reach. In some firms the higher officials are apt to sneer at the young man who is keen enough to "swot" up theory. The writer is not writing without thought when he says that in some firms the man who is bold enough to "suggest" is not encouraged, and there are concerns where the powers that be are so conservative that new ideas are taboo and labour-saving schemes laughed out of court. Lord Beaverbrook, in the *Daily Express*, gave some very excellent advice as to the attainment of success by the possession of such positive qualities as "An eye to opportunity, loyalty, keenness, a cheerful disposition, readiness to take responsibility, willingness to do other men's work." With regard to the two latter, however, it may be said that each has its own danger: the former that the principal will think the clerk is over-reaching himself, and the latter that he will be suspected of trying to obtain an advantage over a colleague. In either case a hint, whether tactful or brutal, will be conveyed that "such things aren't done," and another nail is driven into the coffin of initiative.

What System of Advancement ?

It is obvious that in order to ensure that all executive appointments should be held by those most fitted there must be a system of selection created to that end. It is essential that there should be a system and not just haphazard appointment, both from the point of view of efficiency and, what is equally important, contentment amongst the staff. Broadly speaking, promotion in most offices is dependent upon seniority, allied, of course,

with a minimum of ability and, whilst seniority of itself should always be considered, it is felt that in giving it the high value which is customary, principals have somewhat lost their sense of proportion. The knowledge that promotion can only be obtained by seniority, which merely the passage of years can give, is most depressing to those on the lower rungs who are full of energy and ambition. The weary waiting for advancement on these lines will sap all the initiative and ruin the individuality of the keenest, because it discounts all the personal endeavour which helps to win success. Promotion according to seniority may be seen in all its glory in a peace-time army when normally the subalterns' Bible is the Army List and their religion is the worship of the fetish of seniority. Length of service alone is not sufficient warranty for promotion, as too often there is lacking both the ability requisite for a position of responsibility and, what is equally necessary, the essential qualities of judgment and courage. It has been asserted for so long that youth is irresponsible that elderly business men give the statement full credence and therefore cling with affection to the reins. During the prime of life courage is predominant and this quality is a primary essential in all professions. The nerve to plan and realise a bold scheme is apt to fail with the arrival of middle life, for at that period there comes the temptation *to play for safety*, to think of ease of mind and avoid the worry incidental to the stress of commercial competition. In middle life the adaptability of youth has been lost, and a man past his prime undoubtedly has settled into a groove from which it is with great difficulty that he can extricate himself. He may have garnered some experience and knowledge, but he will lack the driving power of enthusiasm without which little can be accomplished. By all means let the senior man be given due

consideration for a billet, but keep the qualifications required in true perspective. The strongest argument to be used for the abolition of promotion solely by seniority *is that it doesn't pay*.

Ability should be the criterion regardless of whether a person is senior or junior and if perfect fairness be observed in the choice, the heart-burnings incidental to the "step up" will be reduced to a minimum. Those superseded will have the greater stimulus to WORK when they realise that the claims of ability, equal if not outweigh those of *anno domini*.

Confidential Reports

There is one point at least wherein the Army is ahead of commercial concerns and that is in the matter of confidential reports upon junior officers. King's Regulations lay down that an annual confidential report shall be made on every officer, with recommendations for (a) accelerated promotion, (b) normal promotion, and (c) promotion to be delayed. Without going into unnecessary details the important point is this, that the officer reported upon actually sees the report made to the army council together with the comments made by his superior officers; in fact, he has to initial the report which, of course, is a privileged document. He thus has the opportunity, if he considers the report unfair, of making his own representations through the proper channels. In any case, he knows whether it is adverse or not, and thus if he deems it necessary he can apply for transfer. There are obvious advantages in knowing the opinion of your senior as to your ability, etc. The introduction of confidential written reports countersigned by the person concerned should prove beneficial, and from personal experience the knowledge that the departmental head had to grade his staff resulted in improved efficiency, particularly after the former had acquainted each

one with the result, whether adverse or favourable.

The Factor of Influence

It is inevitable that amongst an office staff there should be keen competition for such of the positions as can be attained. Legitimate competition is good for everyone and equal opportunities should be available to all, but it cannot be ignored that in many concerns undue influence is exerted on behalf of certain persons to the detriment of others. No one would wish to deprive those with influential connections of an equal chance for the "plums," provided that they have the requisite ability. Should one so placed make good "off his own bat," he will have the respect and good wishes of his colleagues, whereas when success and opportunity are thrust upon a man because he is the "son of his father," ill feeling is provoked throughout the staff. It is not suggested that *all* those officials who introduce friends or relations into companies or firms under their control are endeavouring to obtain preferential treatment for their protégé, but such is human nature that immediately it becomes known that A is connected with the great B, so soon does civility become servility and A is surrounded by sycophants.

In a private business, of course, the control is naturally hereditary, but in public companies or large firms there should be a rule that no relative of an employee, high or low, should be employed. It is a rule based upon common sense and its scope could very usefully be extended to include relations of the directorate.

Favouritism

Yet another fruitful cause of grievance is the marked preference shown for one member of a staff over another, and whilst personal likes and dislikes frequently cannot be avoided, the highly

placed official has a duty to the firm and the staff to avoid making such preferences patent to the office at large. The man to succeed should be he who will best serve his employers, and not the man whose outstanding qualification is that he is "plus four" nor he who by personal service has made himself indispensable.

"Supple Knees feed Arrogance"

The discerning employer or executive official should be on guard against the insidious wiles of the sycophant whose species is represented in every office. Nothing is easier than to encourage obsequious flattery and servility and nothing so quickly discourages the genuine worker and causes him to lose his respect for those in authority. In every office, however small, can be found the man who swallows his pride and kowtows. Who works harder than he when the secretary is at hand? Who remains at his desk, which, of course, is always covered with papers (the outward and visible sign of work!), longer than anyone else when his chief is present, but, significantly enough, is absent on other occasions? Who is the man who adopts the politics, hobbies and generally reflects faithfully every shade and tone of his principal's views? Everyone is familiar with some cringing Uriah Heep whose 'umility and 'umbleness are apparent and distasteful. Do such servile attentions pay? Regretfully it must be admitted that frequently they return handsome dividends, though offset by the loss of self-respect and the respect of colleagues.

Absence of Recognition

In an article in the *American Pictorial Review*, Arnold Bennett writes: "The reward of energy seldom comes immediately. It often lags ten years behind; it generally lags five years behind." This is so true as to be a commonplace and yet there is no reason why recognition of

merit should be tardy. True, it is not always possible to offer the reward of immediate position, but in many cases financial encouragement, though small, can be given and invariably the spoken or written word of honest praise can be given. On the contrary, it is not uncommon to find that frank recognition and acknowledgment of good work are missing and in their place a carping spirit which "damns with faint praise or maybe praises with faint damns." One of the golden rules of horse management, which is equally applicable to the command of men, is that "hairies need the spur but thoroughbreds go better with gentling." In that maxim lies the whole secret of the control of a staff, and with it the obtaining of 100 per cent of efficiency together with the goodwill of those employed. Every staff includes one or other person whose sole pursuit in life is their morning and evening train to and from work, but if those who give generously of their brains receive tangible appreciation then there will be less of certain trade union tactics which have been adopted since the war. It would appear to be the idea of many employers that it is a bad policy to praise lest it should encourage application for increases of salary. That certainly is a contingency, but surely modern business methods have proved that a satisfied employee is the best investment and advertisement to be obtained.

Encourage Suggestions from Anyone

All members of the staff should be induced to submit their ideas for the furtherance of Economy and Efficiency. They are the people who can see whether work can be speeded up or labour saved, and if the suggestion box is impracticable it can be made known that ideas are welcome, and need it be said, care should be taken that they are considered seriously, even though the suggestion may

be absurd—susceptibilities are so easily hurt.

Remuneration According to Service or Merit

The question whether payment of salary shall be according to service, which is equivalent to age, or according to merit is analogous to that of promotion by seniority or ability. This problem largely arises out of the fact that in these days it is the common practice in large companies to engage junior clerks to serve a fixed period of years during which their salaries are automatically increased by annual increments of £10 to £15. Consequently it is not unusual to find a man over paid during his first year of employment and considerably under paid towards the end of this form of apprenticeship, by which time he is probably aged twenty-two to twenty-four. This system is generally adopted because it provides cheap labour and a fairly steady flow of youths, but the latter are not given any real opportunity of learning the various aspects of the business. Whilst the automatic increase of salary is suitable for juniors it ceases to be so for men over twenty-one who, by then, should have shown their aptitude or otherwise and should be remunerated commensurate with their capacity. The value of the automatic salary scale is that it frees the principal from any necessity of personal study of the staff's work. Of course, where a man is engaged upon routine work he should not be penalised because of his less spectacular work.

It cannot be denied, however, that there are many concerns, particularly the larger companies, where salaries are dependent on service, and a clerk in one department; though deserving, cannot receive more than another employed elsewhere

because the latter's service is slightly longer. It matters nothing to the alleged business man that the latter may be a man who is only alive to matters pertaining to football or cricket. The inevitable result is that the ambitious and capable man filled with that "divine discontent" goes elsewhere. A staff may be weakened to a great extent by the exodus of dissatisfied young men, and parsimony in the matter of salaries may not prove to be in the long run the truest form of economy. By all means let there be a living wage for the rank and file, but do not keep the salaries of the really useful men down merely because they lack length of service.

Factors which Bind Employees to One Firm

There are many factors which tend to anchor a man to a concern, and especially is this the case with pension schemes. When a certain number of years have been served the employee realises that his pension must be considered when contemplating any change. In addition, when a man has married and given hostages to fortune he ceases to be as movable as a single man, and he cannot so well afford to burn his boats and adventure elsewhere.

Such factors should not be utilised to influence unfavourably a man's promotion or salary. Someone has written that "No endeavour is in vain, the reward is in the doing and the pleasure of pursuing is the prize the vanquished gain," but though a fine sentiment it "cuts no ice" when bills have to be met and children educated.

This apologia for the struggling young man in commerce could not conclude better than by an appeal that higher officials should at all times endeavour to see the young man's point of view.

“Caveat Emptor”

By W. J. WESTON, M.A., B.Sc.

“CAVEAT Emptor”—the principle that the buyer must take care, is expected to know what he is buying and must not whine when he finds he has made but a sorry bargain—still lives, though mutilated and cut down from its former all dominating stature. The buying and selling of *Noblesse Oblige*, the case that achieved some notoriety last year, illustrates this. But, like many old rules that men still mumble though long displaced, this rule has been almost eaten away by the exceptions. It persists in our text-books; in practice for the most part it is superseded. *Homo Homini Lupus* is not now true of the trader: the Irish horse couper who, having sold his horse, wishes to see the buyer's face no more—or rather wishes the buyer to see his no more—is no longer the typical merchant. Trade is rather a fellowship of good; it is not a contest of wits, but a mutual co-operation.

The Basis of Commercial Dealings

We cannot, indeed, openly flout the broad rule that the buyer must look after himself; one who has at an auction bought a piece of modern plate believing it to be antique, or thinking it gold when it is only silver gilt, cannot renounce his bargain. Nor does it make any difference that the seller was aware of the mistake, always provided that he neither caused the mistake nor confirmed it. In practice, the buyer is not really burdened by his obligation to see that he gets what he bargained for. Continuing a¹ amicable business relations are possible only when the wish to over-reach is absent from both parties. The retailer buys “on sample,” confident that the bulk will be up to the quality of the same portion examined; or by

“Description,” knowing that he will not get American cheese for Cheshire; or with reference to “standard,” assured that the seller will make good any deviation from that standard. To an extraordinary extent there is to-day trust between buyer and seller. “Credit, not distrust, is the basis of commercial dealings: and mercantile genius consists principally in knowing whom to trust.”

Commercial Rectitude

We may take it that the old case of *Chandelor v. Lopus* would be decided otherwise now. There the defendant, being a goldsmith and having skill in jewels and precious stones, had a stone which he affirmed to Lopus to be a Bezoar stone, and sold it to him for £100, whereas it was not such a stone. In the Exchequer Court all the barons but one held that the bare affirmation that it was a Bezoar stone, without warranting it to be so, is no cause of action; “for every one, in selling his wares, will affirm that his wares are good, or the horse he sells is sound: yet if he do not warrant them to be so, it is no cause of action.” With our modern scrupulous notions of business morality we now hold that every affirmation at the time of sale of personal chattels is a warranty provided it appear to be so intended. We go farther and *imply* a warranty. Nor do we hold it necessary that the warranty, whether express or only implied, shall be known by the seller to be untrue; the buyer is entitled to rely upon it, and if his reliance is misplaced he can obtain damages.

“Implied Warranty”

One test suggested for deciding whether a statement can be depended upon by the buyer is this: does the seller assert a

fact of which he ought to have special knowledge but of which the buyer can have but little; or does he simply express an opinion upon a point that this buyer should know a good deal about. *White v. Sykes* (1922) clearly comes under the latter. There the yearling *Noblesse Oblige* having been sold to the plaintiff for what was something like a record price was found to be afflicted with "dropped hip" so that his winning of many races was very doubtful, and his offspring would possibly be subject to the same handicap as the sire. An implied warranty of soundness was sought to be established; but the Court decided that, since those attending the sale were competent judges of horses, since the sale was not concluded before the horse had exhibited its paces, no such implied warranty could exist: "*Caveat Emptor* does not mean in law or Latin that the buyer must 'take chance'; it means that he must 'take care.'" It applies to the purchase of specific things—e.g. to a horse or a picture, upon which the buyer can and usually does exercise his own judgment. It applies also whenever the buyer voluntarily chooses what he buys. It applies also where by usage or otherwise it is a term of the contract, express or implied, that the buyer shall not rely on the skill or judgment of the seller. But it has no application to any case in which the seller has undertaken, and the buyer has left it to the seller, to supply goods to be used for a purpose known to both parties at the time of the sale.

The Seller's Burden

Manchester Liners v. Rea (1922) affords as good an illustration as we could wish of the burden that our modern ideas places upon the seller. During the coal strike, and while there was great difficulty in obtaining steam coal, Rea, Ltd.—being coal merchants accustomed to provide bunkers—were asked to coal a

vessel of the plaintiff company. It was common knowledge that the only coal available was on its way from South Wales to Manchester. This was supplied by the defendants and, since the coal was unsuitable for the ship's boilers, Messrs. Rea were mulcted in damages: "Where the buyer, expressly or by implication, makes known to the seller the particular purpose for which the goods are required; so as to show that the buyer relies on the seller's skill or judgment, and the goods are of the description which it is in the course of the seller's business to supply, there is an implied condition that the goods shall be reasonably fit for such purpose."

Even the giving of a sample does not exonerate the seller from his obligation to supply what is wanted. The bulk may correspond with the sample; but if the defects of the sample could have been discovered only by elaborate tests, the seller is still liable to make good these defects. It is the office of a sample to present to the eye the real meaning and intention of the subject matter of the contract; owing to the imperfections of language it may be difficult or impossible to express this subject matter in words. The sample speaks for itself. "But," it was declared in a case where the hidden defect was held to annul the sale, "it cannot be treated as saying more than such a sample would tell a merchant of the class to which the buyer belongs using due care and diligence, and appealing to it in the ordinary way."

The duty of the law, and the function of the Courts, were put broadly by Chief Justice Best: "It is the duty of the Court in administering the law to lay down rules calculated to prevent fraud to protect persons necessarily ignorant of the qualities of a commodity they purchase, and to make it the interest of manufacturers and those who sell, to furnish the best article that can be supplied."

What Constitutes Good Mail-Order Advertising?

By MAX RITTENBERG

The writer analyses and discusses a number of examples of modern mail-order advertisements, and draws conclusions of wide application.

IN the preparation of *general publicity*, an advertising man does not have to accept results as the referee. He may say that the announcements are building up goodwill, extending prestige, laying the ground for future sales, producing a favourable effect on retailers, etc. All this may be true, but it is not subject to the immediate and very definite test of: "How much goods did the advertisement sell?"

In *mail-order advertising*, results are known; and cost-per-order can be ascertained to the nearest penny. Many advertising theories go by the board when subjected to the test of mail-order results. Those who learn in the school of mail-order, learn in a hard school of very tangible experience.

Before trying to formulate the factors which lead to good results in mail-order advertising, let us first consider the relative advantages of selling by newspaper advertising, or "Direct" by circular letter and folder—

Advantages of Newspaper Advertising

One can—

Make a quick and inexpensive test, because a simple advertisement is much easier and cheaper to prepare than a mailing shot of letter plus folder and order-form and reply envelope.

Make the test very quickly, because an advertisement can be prepared and published in a newspaper inside a few days.

In the case of a general utility article, bring it before a million readers or more through one single insertion—provided they read it.

Reach to British men and women on the Continent and in other foreign countries—names and addresses which are very difficult to obtain for the purpose of direct postal advertising.

Alter advertisements and change them within a few days, whereas the changing of a folder might involve several weeks.

Advantages of "Direct" Advertising

One can—

Select the class and general status of prospects to be approached.

Select districts.

Go after the *same* prospects repeatedly, making them different forms of offer until they "bite."

Be practically sure the message will be read.

Have ample space in which to tell the story thoroughly by letter, print and illustration.

Use colour.

Enclose order form and reply envelope.

Basic Principles

It can be said with certainty that a mail-order advertisement which will produce good results will be a *condensation* of a mailing shot on the same subject.

The same principles which go to the building of an effective leaflet or folder,

or booklet, or bargain catalogue,¹ will hold good in the construction of the newspaper or magazine advertisement. But naturally the matter must be *condensed*. These general principles are—

I. An Attractive Headline

This should tell the story in a few words, or in a few lines at most. Free-hand drawn lettering usually makes a headline

have been taken out, and replaced by the word "REST" (see *Illustration 2*).

2. An Explanatory Sub-Heading

It is sometimes necessary to *explain* the headline in a longer sentence. In the Minty chair advertisement, this is carried out quite clearly by the wording in display type: "REAL CHAIR COMFORT at a reasonable cost."

ILLUSTRATION 1

ILLUSTRATION 2—CHANGING THE HEADLINE

stand out, as well as conveying a sense of breeziness and personality.

In *Illustration 1* is a mail-order advertisement for the "Minty" Varsity Chair. It is carefully designed, and fulfils most of the basic principles of effective mail-order advertising.

But note one *bad point*. The front page of a leaflet issued by the firm emphasises "REST" as the keynote of the offer. Perfectly right. The firm are selling rest and comfort, not wicker-work and stuffings. The advertisement, on the other hand, emphasises "47/6" in big letters at the top of the advertisement. This is not a "bargain price." It should

3. The Story of the Offer

The headline and the picture ought to catch the eye and arrest the attention of the casual reader; but that is not enough. He must be inoculated with the desire to buy, or at least be moved to send in a preliminary enquiry. And this has to be effected by the selling talk.

The story will be a summary of what one would put into a leaflet or folder. But where space is as valuable as it is in a newspaper of large circulation, every word must be "made to tell." Verbiage is out of place. Short sentences and simple vivid words are *in place*. The story should consist of the best points of a salesman's talk put into simple, clear and compelling words.

¹ Titles of previous articles and dates of publication.

In the Minty advertisement the selling talk is condensed into eight lines, and yet tells the whole story.

As to the size of type, 10 pt. is usually large enough. Everyone can read 10 pt. with comfort. Most people can read 8 pt. easily, because so much newspaper editorial matter is set in 8 pt., and the eye

and unnatural. In the Minty advertisement, the chair is shown by an excellent line drawing, so natural in effect that probably it was "traced over" from a photograph.

Another good method of getting a life-like illustration can be employed for women's and men's clothing. The effect is to show the head and arms as an actual photograph, while the suit or dress or corset or underclothing appears like a line drawing. If you wish to know the exact technicalities of this method, your engraver will explain at length.

The great thing to aim at is a *life-like* effect.

5. *The Name of the Article and the Name of the Firm*

In the case of a specialty article such as the Minty chair, the name should certainly be brought out larger and bolder than the name of the firm. Prospects will buy because they like the chair rather than the firm. In the advertisement shown, the proportions are good.

On the other hand, if the advertisement is to cover a large number of everyday articles—as with a departmental store advertisement—then naturally the name of the firm must be brought out large, and preferably in the form of a drawn name-plate. People will buy because they trust the firm as well as being attracted by the goods.

6. The Price

The price should be clear and bold, and should state definitely that it includes the cost of the carriage. If it is brought out once, large and bold, there is no need to repeat it several times in small advertisements where space is valuable.

7. Getting Enquiries

In the case of the chair, it is evident that most people would want to have

Big Corset Sale!

\$4.49

**New
Bust-Confining
Corset**

17 IN 61

17 IN 71

For

For

Tall

Short

Stout

Stout

Women

Women

How to Order

Write your name and address on the order form, and send it to the nearest branch office. If you are a new customer, please send a recent photograph of your face and bust. We will send you a sample of the corset you ordered, and if you are not satisfied, we will send you a new one. We will also send you a copy of our catalog, and if you are interested, we will send you a copy of our price list.

Free Publication to

17 IN 61 - Tall Stout Women

17 IN 71 - Short Stout Women

17 IN 81 - Tall Stout Women

17 IN 91 - Short Stout Women

17 IN 101 - Tall Stout Women

17 IN 111 - Short Stout Women

17 IN 121 - Tall Stout Women

17 IN 131 - Short Stout Women

17 IN 141 - Tall Stout Women

EVERY CORSET on this and the following two pages has been radically reduced for this sale. The selection includes a many of the famous Lane Bryant models, one designed on lines to slender the stout figure. If your size is in the bust, there is a corset for you. It fits, it is that are extra large, you find a bargain in a corset designed for

Each model represents saving to you. Each individual Lane Bryant corset serves a special figure. Try to you to select

The Lane Bryant corset, by the way, is a masterpiece of

ILLUSTRATION—3—

ENGRAVING EFFECTS

has become accustomed to it. Type smaller than 8 pt. is difficult to read, and should only be used for explanatory matter not essential to

New Bust-Confining and Flaming Corset

Available for the next 48 hours only. The next day, the price will be \$5.00. Write to the nearest branch office for more information.

Write to the nearest branch office for more information. We will send you a sample of the corset you ordered, and if you are not satisfied, we will send you a new one.

Write to the nearest branch office for more information. We will send you a sample of the corset you ordered, and if you are not satisfied, we will send you a new one.

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has become accustomed to it. Types smaller than 8 pt. is difficult to read, and should only be used for explanatory matter not essential to convincing the average

4. Illustrating the Goods

This should be as near as possible to life. It is well known that photographs reproduced in half-tone do not come out well on newspaper paper. If one uses a fine screen, the block is liable to "clog up" in the printing, and present a blotchy and smudgy appearance. If made with a coarse screen, it is liable to look spotty



New Clock Invention

Wound in a tick.
Keeps time to a minute a week.
No key to lose.
No glass to break.
No dust can harm it.

The NEWVO Clock is an entirely new invention, patented in 1921. All the mechanism is of special and exclusive design, with fewer working parts than in any other clock.

The NEWVO is so simple that it cannot get out of order. One of the most important of its many exclusive features is the Double Pendulum, which is mounted on a horizontal pivot and automatically adjusts itself, so that the clock keeps correct time even in a slanting position.

The working parts are made of specially hardened Russell-tested metal, accurately finished. With its Antique Case of Dark Oak and Bevelled Silvered Dial, the NEWVO Clock looks well in any room.

You can only buy the NEWVO Clock from me. It is not for sale in any shop or store. If it were, you might have to pay 40/- for it. I sell it to you direct—and save you all the intermediate profits you would otherwise be charged. It makes a ideal Wedding or Birthday Gift.

Send me 21/- to-day, and I will send the wonderful NEWVO Clock to your home, carriage paid. If within 7 days you have any reason to be dissatisfied, I will return your money in full without quibble or question.

Obtainable only from
JOHN HART, 61, Cocken Bldg., Brunel St., London, W.C.2
Banks: London County Westminster and Parr's Bank, Ltd.

21/- CARRIAGE PAID
Money returned within 7 days if you ask for it.

Height 14ins.
Width 10½ins.
Dial 6½ins. diameter.

ILLUSTRATION 4—WORRIES THE EYE

patterns of the actual coverings before ordering. A point of this kind, both in folder or booklet, should be brought out clearly. It is included in the Minty advertisement, but not as clearly as it might have been.

8. Order Coupon or Enquiry Coupon

"Making it easy for the customer to order" is a basic principle of mail-order advertising; and in a large-size advertisement, an order coupon or enquiry coupon should certainly be included. It was not possible in the Minty advertisement in the size of space used; but if it *can* be included, it forms a valuable part of the advertisement.

9. The Guarantee

Wherever it is a question of asking the reader to send money in advance for the goods—not merely to send in an enquiry—the Guarantee should always be stressed. This point will be found in all the other advertisements which are illustrated.

10. General Psychology of Lay-Out

There are practically endless ways of laying out any given amount of matter and illustration. The thing to aim for is a sense of *pleasant appearance*—making it inviting to read the small-type matter.

The thing to avoid is a hard, stiff, machine-made regularity. Nothing is gained by a rigid "balancing" any more than by a geometrical balancing of the goods displayed in a shop window. The invitingness of a good show window will always be found to include an ease of curves. And so with a good newspaper advertisement.

Methods of Economising Space

As mentioned above, there is usually no need to set the main talk in type larger than 10 pt. Even 8 pt. will



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Send me 21/- to-day, and I will send the wonderful NEWVO Clock to your home, carriage paid.

If within 7 days you have any reason to be dissatisfied, I will return your money in full without quibble or question.

21/- CARRIAGE PAID
Money returned within 7 days if you ask for it.

Height 14ins.
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Dial 6½ins. diameter.

Obtainable only from
JOHN HART, 61, Cocken Bldg., Brunel St., London, W.C.2
Banks: London County Westminster and Parr's Bank, Ltd.

ILLUSTRATION 5—CLEAR AND VERY READABLE

sometimes serve the purpose. It is worth remembering that the number of words which will go into a square inch of space are as follows—

Set Solid			
12 pt.	.	.	14 words.
10 pt.	.	.	21 "
8 pt.	.	.	32 "
Set with Leads between			
12 pt.	.	.	11 words.
10 pt.	.	.	16 "
8 pt.	.	.	23 "

Therefore one can squeeze in 50 per cent more words in 10 pt. than in 12 pt. ;

ILLUSTRATION 6—ECONOMISING SPACE

and 50 per cent more in 8 pt. than in 10 pt.

But if the squeezing process is carried too far—if the advertisement becomes difficult to read, and not inviting to read—one may stultify one's purpose. As an instance, take *Illustrations 4 and 5*. No. 4 is highly condensed. No. 5 is the same matter in a setting more easy to read. It was found that the larger setting *more than repaid* the extra cost of the increased space.

On the other hand, if one were to take No. 6 and enlarge it to double the size, the probability is that it would *not* pull double the amount of orders.

There is a NATURAL SIZE for a mail-order advertisement—a size which will make for comfortable reading—and *that* will be the most profitable space.

ILLUSTRATION 7—CLEVERLY CONDENSED

One can also economise space, without detracting at all from the pulling power of an advertisement, by letting the reading matter *overlap* some unimportant part of the illustration. This is well shown in

the advertisement of the Minty chair, where three lines of the selling story and a thick rule are allowed to cut into the bottom of the chair.

ILLUSTRATION 8—USING SMALL SPACES

It is also used to good advantage in the Ladder advertisement reproduced in *Illustration 6*.

If an article can be shown in actual size, so much the more convincing. But if it cannot, one can help the mind of the reader by giving dimensions of the actual article. This point will be noted in the clock advertisement.

*The American offer of cigars (see *Illustration 7*) is worth careful study for its clever condensation. An entire selling plan is explained and illustrated in a space only $6\frac{1}{2}$ in. by $2\frac{1}{4}$ in.

"A POSTCARD BRINGS IT TO YOU," hitting out strongly in white-on-black, and placed directly over the sample box, tells the story boldly in six words. The sub-heading, "MY ONLY SALESMAN—\$2.95 for 50," neatly combines the price of the goods with the explanation of its being entirely a mail-order proposition. Some people would have taken two inches

of space to explain what it here told in a quarter-inch.

The wording of the selling talk is of course very "American" in its confident "I-and-You" style. This appeals in the United States. And the end line, "Mail check or pay the postman," is particularly "snappy"—too snappy for over here.

But consider the good points—the way in which every single word is "made to tell"; the excellent illustration; and the clever use of a "Ben Day" border to bind the whole advertisement together and make it stand out on the page. Those points are of wide application to advertising in our own country.

Two further examples, one English and one American: "The New Hat Smile," and "Give Him" (*Illustrations 8 and 9*). These are also highly condensed and

ILLUSTRATION 9—COMPRESSED ADVERTISING

economical of space. They embody most of the points of principle already discussed.

It would be easy to show examples of publicity which is poor and unlikely to bring profitable results—but the writer strongly suggests that it is bad mental training, in business as in any other form of endeavour, to seek habitually for the worst and slate it. It makes one feel self-complacent. It lowers one's standard of achievement.

Do Chambers of Commerce Justify their Existence?

By J. A. DUNNAGE

"GROUSING" is the prerogative of the Briton, and so nobody should complain because individuals or corporate bodies come in, from time to time, for unfavourable comment. To have excited public interest at all is no mean achievement in these *blasé* days, when the skilful operations of the press agent cast suspicion upon the most innocent of news items.

Criticism is often levelled at Chambers of Commerce, but some particularly severe comments recently made in the hearing of the writer provoked reflection.

Chambers of Commerce have been rudely likened to talking shops, to training grounds for budding (or dying) debaters, to mutual admiration societies, to cleverly disguised tourist agencies—this latter reference being a little subtle. The running fire of unfavourable criticism, never entirely suppressed, bursts into activity as a rule in times of bad trade. People who in prosperous times are too busy to have views on controversial questions seize the opportunity afforded by a temporary slump to acquire and ventilate grievances or echo those of others. Usually the burden of their plaint is that outside influences are preventing trade recovery. They are annoyed that problems which, in plentiful times, they neglected have now reached their inevitable conclusion, and trade is bad.

The Critics

Now such criticisms may come from inside or outside the Chamber. A great proportion coming under the latter classification we may readily dispose of—for their authors probably have no use for

the Chamber, and do not wish to have any use for it—their interests are better suited otherwise! In legal phraseology, such men have no *locus standi* in a discussion of Chambers of Commerce to which they have never contributed a single guinea.

It is with criticisms coming from actual members of chambers that we must mainly deal. On the face of it such criticisms are worthy of more serious attention: they deserve at least the courtesy of an answer.

These people pay their subscription—(presumably)—and appear to imagine that in return they will receive a sort of magic key, some passport to a land flowing with milk and honey, and that automatically every benefit under the sun will be conferred upon them in their business life. The opinion, though never actually given words, undoubtedly exists that for a guinea or two traders can hand over the entire management of their businesses to some heaven-sent genius of the "Robot" order; they to have nothing to do but to take their share of the profits—which, of course, should be larger than before!

It's Up to You!

"But no"—as the Frenchman would say. They are unreasonable. Why, instead of criticising, do they not take their part in the work of their particular chambers? Do they not realise that the Chamber is composed of *them*? It is a strange but popular delusion that "the State," "the consumers," "the taxpayers," and "the Chambers of Commerce" are mysterious entities superimposed upon common humanity: instead

of which these terms are largely synonyms for ordinary folk like ourselves. The platitude will bear repetition.

The work and policy of the Chamber are a faithful reflection of the attitude its constituents take. Its permanent staff, its reference facilities, etc., are as complete and efficient as the members will pay for. If they leave all the conduct of the Chamber to its secretariat, how can they grumble if these few men's views or actions do not quite fit in with their own views? If, on the other hand, they adopt a policy of niggling interference they will spoil the work of conscientious servants. Let each take his fair share of work on committees and sub-committees where his knowledge will be of use, and so make the Chamber a real combination, not a mere inactive mass of business men resigned to leave all the difficult work to one or two, but ready directly afterwards to explain how it *should* have been done.

"Co-operation" To-day's Password

We have spoken of "a real combination," and that brings us to the fact that combination—co-operation—is to-day very necessary. The days of isolated effort are passing. The individualist is a back number. Everything tends towards co-operation, and this tendency, *rightly handled*, should result in nothing but the greatest good for the greatest number.

Workers have long protected and advanced themselves by combining. Shipowners, railway companies, political adventurers, Governments even, recognise in a practical way the advantages of joint action. He would be a foolish trader who to-day denied the wisdom of doing likewise.

If only the spirit of Rotary can be inculcated into the Chambers of Commerce all concerned will benefit. After all, commerce is—or should be—the exchange of commodities in the general interest.

It connotes general activity, general optimism, and the general advantage.

No Mean Record

Chambers of Commerce have already proved their worth in securing many striking reforms, and also in other ways which, because more detailed, are not so apparent. Chambers in most large cities—London or Birmingham, for instance—have gained a respected name both locally and in national affairs. They have become "recognised authorities," whose opinion "goes." The London body, for example, besides pioneering a scheme of commercial education on lines and on a scale hitherto unprecedented, has gained a valuable influence on the workings of the Port of London, and is regularly consulted when rate revisions come up for consideration. The Birmingham Chamber, by virtue of its geographical position, has become particularly active and expert in matters of railway rates and conditions, securing for its members (and the general non-subscription paying public) many valuable concessions, and earning the wholesome respect of the local goods managers.

The Future

Still more, through the Associated Chambers of Commerce and the International Chamber, the machinery exists which, if properly used, would enable what its opponents call "big business" to direct both national and international policy. Here is even the nucleus organisation, awaiting the advent of men of broad enough outlook—real "world men"—who could control and develop the world's resources and co-ordinate them to supply world needs.

Visionary, perhaps, but there are always plenty of matter-of-fact, disillusioned individuals who can safely be trusted to put a curb on the over-ebullient enthusiasm of the idealists.

Self-Organisation for Business Men

X.—The Creation of Ideas (Part II)

By MORLEY DAINOW, B.Sc. HONS. (LOND.)

Director of the London Institute of Applied Psychology

Necessity we are told is the mother of Invention, the direct origin of originality. But necessity, unlike all human and animal mothers, is very cruel. Its methods are acute discomfort, illness, epidemics, famines, plagues, frightful accidents, and war. If we are always to wait for necessity to inspire us half of us may be killed or may die in the process. Can man anticipate necessity? Further, if necessity is the mother of new ideas, who is the father? Just as every healthy man possesses the biological seed of new children in his body so every man and woman possess the psychological seed of new ideas in his and her minds. The seed is Imagination. By imagination we can anticipate and work with necessity, thus lightening the pangs of mental birth, making the issuing new ideas of more lasting and greater worth.

Imagination : its Nature ; its Power ; its Nurture

I. *The Nature of Imagination*

(a) *Imagination Leads to Progress*

MENTALLY we lead a double life in many ways. We deal, for instance, with *two* objects: things and ideas. We have *two* methods of dealing with them. If we concentrate on things and find ideas in them it is *induction*. If we concentrate on ideas and bind things by them it is *deduction*. Each method involves *two* processes, analysis and synthesis, sagacity and learning. But the test of our mind, however, comes out only if the apparent double life is united, as when the method of finding the ideas in things, directly drawing the value from experience, is combined with that of classifying things by ideas, anticipating the value in experience. A complete judgment of any thing or any idea involves therefore the practical (inductive, the full knowledge of things) and the theoretical (deductive, the full knowledge of ideas).

Take Hövis bread, for instance. From the immediately practical point of view it is pleasing to the eye, pleasant to the taste, easy for the digestion, nourishing to the body, reasonable in price, and easy to procure. From the theoretical, thoughtful, point of view it satisfies all

the principles of a bread-food, such as purity of content, right proportion of ingredients, sanitary and scientific system of baking. To arrive at these conclusions, to make such fairly complete judgments, is a good piece of work. It helps us to understand the important things that are produced, but such mental work is only produced by the mind of a follower. If all minds judged and thought in this way and in this way only, there would never be progress, there would only be confirmation of what has been done, merely a standing still. But progressive minds never stand still, they move forward. Once upon a time, for instance, there was a world of bread-eaters without Hövis bread. How did this bread therefore come into existence? It came into existence because there were minds that did not merely understand and follow, but that also wanted to lead; to create.

(b) *The Creative Movement*

The creative movement in a mind may be produced by an external cause or by an internal cause or by both. The external cause is usually Necessity. We have an experience of a thing or an idea and it leaves us very unsatisfied, it hurts. Necessity impells us to avoid this hurt.

By induction we survey the thing and the idea it contains, the practical aspect ; by induction we survey the ideas and principles behind and over and above the thing, the theoretical aspect. We grasp the essentials of both. We then ask ourselves can these essentials be combined so as to avoid the hurtful experience ? Once upon a time, in America, a man travelled in a train by night. It was an unpleasant experience. He could not sleep owing to the jolting of the train. He could not rest owing to the hardness of the carriage seats, walls, and many other practical defects. This experience made him overhaul in his mind the practical and theoretical points about a train journey at night. He abstracted their essentials and combined them so as to produce a restful, sleepful vehicle, a new railway car. His name was Pulman and hence the Pulman Car. Many years ago, in England, a man travelled by coach along country roads. The experience did not satisfy him. The vehicle was too large, cumbrous, slow, uncomfortable. He delved into the practical and theoretical aspects of the coach and produced a new form of road conveyance, which was smaller, graceful, quick, and comfortable. His name was Hansom and hence the Hansom Cab.

(c) *Imagination Defined*

The human mind therefore is able to retain past experiences, select qualities of them, and recombine and remodify them with certain objects in view. *This is Imagination. Necessity alone cannot lead to new ideas. Without the power of imagination being present in the mind it would knock at closed doors.*

(d) *Necessity Defined*

But necessity has so far proved the greatest influence in drawing out imagination. It will probably always prove the greatest influence. We must therefore

examine it. Pulman and Hansom mentioned above used their imagination in obeying necessity in three directions. They were each upset in *feeling* ; they were each looking for something useful, something that could be made, something that could be produced as the result of *doing* ; further, they each knew much, they had the results of *knowing*.

Feeling, doing, and knowing are three mental acts we are always performing. We can distinguish these acts but we cannot separate them. In the most minute moment of mental life we are performing all the three. They are three in one and one in three. But they are the three ways in which necessity makes itself felt and through which imagination expresses itself. In the realm of feeling, joy is a necessity ; in the realm of doing, goodness is a necessity ; in the realm of knowing, truth is a necessity. When we examine the experience (thing) joy, we find that it can only be reached if certain principles (ideas) are satisfied. The result of the arrangement of these principles is called beauty, and the principles themselves, aesthetics. Similarly, we find that goodness needs certain principles, the result of the complete arrangement is morality and the principles are called ethics. Truth needs certain principles, the complete arrangement is science, and the principles are called logic. Truth, beauty, and goodness are therefore Necessity motives by which, and directions in which, the imagination asserts itself. Darwin and Newton worked imaginatively for truth ; Turner and Shakespeare for beauty ; Christ and Buddha for goodness.

2. *The Power of Imagination*

(a) *The Imaginary and the Real*

A street, a house, a table are real things. Everybody can experience them in every town. But a fairy, an imp, a goblin are not real things. They cannot

be experienced by everybody. It has often been suggested that the function of imagination is to deal with objects and experiences that are not real, that are not experienced as a result of the ordinary uses of our senses. But unreal objects are only used by the imagination because they contain hidden meanings, and the meanings are part of our real experience. When Barrie writes: "When the first baby laughed for the first time its laughter broke into a thousand pieces and that is how the fairies were created," he used the unreal, purely imaginary object, fairy, to convey the hidden meaning of the value of a baby's smile. The imagination only weaves fiction or uses purely imaginary objects to help to understand real objects more clearly.

(b) *Imagination Completes Understanding*

To understand any object or any idea means that our practical judgments have mastered the related things, and that our theoretical judgments have mastered the related ideas. Our understanding must not stop there. It must go on, for imagination is understanding in motion, trying to widen the practical and deepen the theoretical. Can we improve the thing? Can we strengthen the idea? *Imagination always sees more than what is present. It is always pushing us ahead to a better thing or to a clearer idea.* Imagination is the breath and finer spirit of the mind. Without it, we simply do what has been done; we merely follow. With it, we simply must do what is better than what has been done; we lead.

3. *The Nurture of Imagination*

To develop imagination therefore we must be both practical and theoretical and combine both views.

The practical aspect alone, directed by external necessity, has given us invention at too great a cost, and is therefore awkward and inefficient. Walk into a

big Government department and you will find all sorts of sub-departments: one here, another 400 yards away, a third 200 yards away. They have suddenly grown up from time to time to meet the increasingly varied demands of the work. The theoretical aspect alone, directed by internal necessity, gives us invention at too little a cost, and is therefore also inefficient. There are many self-satisfied men and women who lead their real life in day dreams or imaginary attitudes. They have most ingenious theories but they contribute nothing to the general sum of human experience and progress.

Before trying to be imaginative you must be both practical and theoretical as the basis. You cannot make bricks without straw. The old must be acquired before the new can be attired. It isn't necessary for you to become either an expert practical man or an expert theoretical man, but you must have a working acquaintance with both.

Take, as an example, the Valet Autostrop safety razor. You desire to be imaginative about this.

Firstly, take the practical view. Ask yourself many questions. What is it? Of what is it made? What are its functions? Compare and contrast it with other safety razors. Write down the results. Is it better than any? Why? Is it worse than any? Why?

Secondly, take the theoretical view. Ask yourself many questions. What is a safety razor? What principles should be embodied in such an object? Does this one embody the principles? In what way does it embody the following: sharpness of blade, smoothness of shave, ease of handling, quality of metal, durability of wear, purity of metal, reasonableness of price, ease of obtaining blades? Compare and contrast it with other safety razors and with your own thought-out ideal one. Is it better than any? Why? Is it worse than any? Why?

Thirdly, ask yourself: "Can I as a result of all this suggest improvements?" Now your imagination is beginning to take a hand.

But you may not be interested in safety razors, you are probably more interested in motors or motor-cycles or wireless or money or gardening or literature or business. But what is Interest? This is my subject next month.

QUESTIONS: SET X

(NOTE.—No answer should take more than ten minutes or be expressed in less than 100 words.)

1. Take any object or machine or thing you like.
 - (a) What does induction tell you about it?
 - (b) What does deduction tell you about things like it?
 - (c) What spurts to the imagination do (a) and (b) give? Describe them.

2. Take any idea or theory or maxim you like.
 - (a) What does your experience tell you about it?
 - (b) Mention some situations (or processes or conditions) to which the idea or theory or maxim best applies.
 - (c) What spurts to the imagination do (a) and (b) give. Describe them.
3. (a) What is imagination?
- (b) What is its function or power?
4. (a) Describe some external influence (or influences) which inspire imagination. Give one illustration.
- (b) Describe some internal influences determining imagination. Give one illustration.
5. (a) Do the following need imagination to a high degree?—company secretary; salesman; advertising consultant; accountant; retail shopkeeper.
- (b) Give your reasons for each.
- (c) Can you give any general tips about developing imagination? If so, give them.

Answers to these questions, enclosing a stamped addressed envelope, should be addressed to Mr. Morley Dainow, c/o BUSINESS ORGANIZATION AND MANAGEMENT, 39 Parker Street, London, W.C.2.

Answers to Correspondents

Belief.

E.E.C. (Hull); F.R.H. (North Finchley); S.J.L. (Newton Heath); C.W.T. (Stockport).—This is the emotional result of the experience of truth.

Creative Judgments.

F.E.J. (Reading).—To be creative a judgment must be a combination of the practical (a knowledge of things or induction), and the theoretical (a knowledge of ideas or deduction), leading to the imaginative (a new arrangement of things or ideas or both).

Intuition and Consciousness.

F.H.K. (Cheltenham).—While all conscious educative processes such as observation, thinking, judgment, and reasoning are bound to help intuition to grow, the exact nature of their help we do not know.

Order and Reason.

E.E.C. (Hull).—Order is a result, something *outside* the mind; Reason is a process, a power *within* the mind.

Order and The Association of Ideas.

C.W.T. (Stockport).—Order is not only the result of association of ideas by contiguity, it must also be the result of association of ideas by similarity.

What Judgment Does.

R.G. (Longtown); H.B.H. (London, S.E.17).—In our judgment (e.g. chalk is white) you perform two operations. You deal with the ideas in a thing or analysis (i.e. the whiteness in chalk). You deal with things covered by one idea or synthesis (i.e. snow, chalk, lime, sheets, clouds are all *white* things).

Marrying His Widow's Sister.

B.M. (Burnham).—This is absurd, for the thing widow contains the idea "husband dead," therefore John Jones must be dead.

Sagacity: Natural and Acquired.

B.M. (Burnham).—There are two kinds of sagacity. The natural is intuition; the acquired is reasoning. Both are helped by training; but the former works unconsciously while the latter is a conscious process.

Sagacity: Scope.

A.W. (London, W.14).—Sagacity is not merely concerned with things; it is also concerned with ideas.

Self-Organisation: Aim.

S.J.L. (Newton Heath).—The aim of self-organisation is not merely observation but complete understanding, deep feeling, and efficient action.

Things and Ideas.

F.H.K. (Cheltenham).—The mind does not leave the world of things (perceiving) and enter the world of ideas (conceiving) until: (a) things have been *analysed* into qualities by comparison and contrast; (b) qualities have been combined in the mind to stand for things or *synthesised* into ideas or meanings.

Thinker, The.

M.J.M. (Calcutta).—Among the chief qualities is the power of tackling new difficulties effectively.

Truth.

K.A.B. (London, N.W.6); R.G. (Longtown).—Truth is neither judgment nor reason: it is a quality of a judgment obtained when sagacity (analysis) agrees with learning (synthesis).

Reconstruction of Companies

Financial Aspects of a Current Problem

By A. G. FLETCHER

The need for capital reorganisation is one with which many companies are only too painfully familiar. This article succinctly reviews the principles underlying the reconstruction of companies, the rights of shareholders, and the probabilities of success or failure.

THE unwisdom of some of the early post-war capital schemes has already resulted in many reconstructions among companies in urgent need of working capital, but there are still many companies which must face this or a very similar problem before they can compete successfully in markets which already are in more hopeful prospect. The likelihood of an improvement in the outlook for trade, however, will probably make some reconstruction schemes less difficult to carry through, and as the issues cognate to the subject at this juncture are not uninteresting it is, perhaps, timely to examine the factors which determine the ultimate result and to review the legal points which have a direct bearing upon it.

Selling the Undertaking

Where its share capital is fully paid up, a company in need of further working capital will sometimes find it advantageous to sell its undertaking, either under powers given by the objects clause in its Memorandum of Association and a special resolution, or—if the company is contemplating voluntary liquidation—under the provisions of Section 192 of the Companies (Consolidation) Act, 1908. The consideration for the sale is usually shares or debentures in the new company, either partly or fully paid, which are then apportioned among the old shareholders.

If the new shares are only partly paid, the members accepting them naturally become liable to subscribe the unpaid amount, but the old shareholders who dissent from the scheme have the right, under sub-section 3 of Section 192, and providing they have not voted in favour of the resolution, to notify their dissension and to require either that the resolution be not carried into effect or, alternatively, that their interest in the original company shall be redeemed at a price fixed by agreement or by arbitration. The scheme must be sanctioned by a special resolution of the company, and case-law has determined that dissentient shareholders' rights cannot be taken away from them by a clause in the articles of association of the original company.

The Right of Dissent

The incidence of the matter of company reconstruction upon the investment world is important, inasmuch as the usual arrangement amounts virtually to an assessment upon holders of fully paid shares in the company concerned. Whereas the holders of shares which are only partly paid are fully aware that they are liable for the uncalled amount, investors holding fully paid shares rest content, in the main, in the belief that their financial liability upon them is closed, and that the only point which they need

think about is the enjoyment of the rights to which the holding of the shares entitles them. But the position is altered in the case of the company under reconstruction to this extent: that if a shareholder assents to the sale of the undertaking to a new company he may find himself, ultimately, credited with only partly-paid shares therein; or that, if he exercises the right of dissent which the Articles give him, he can only expect to receive—in the event of the scheme eventually materialising—recompense for his previous holding to the extent which agreement or arbitration may determine. And this not infrequently means nominal compensation only.

Alteration of Rights

It should be observed that although the shares which form the consideration from the new company must be allocated between the old shareholders in direct accordance with their particular rights, it is possible for those rights previously to have been altered. Section 45 of the Companies (Consolidation) Act, 1908, provides a method of reorganising the capital in such a manner that the rights of shareholders are modified. Sub-section (1) of Section 45 reads—

A company limited by shares may, by special resolution confirmed by an order of the court, modify the conditions contained in its memorandum so as to reorganise its share capital, whether by the consolidation of shares of different classes or by the division of its shares into shares of different classes: Provided that no preference or special privilege attached to or belonging to any class of shares shall be interfered with except by a resolution passed by a majority in number of shareholders of that class holding three-fourths of the share capital of that class and confirmed at a meeting of shareholders of that class in the same manner as a special resolution of the company is required to be confirmed, and every resolution so passed shall bind all shareholders of the class.

The Likelihood of Success

In cases where the object of the reconstruction is a specific one—i.e. to raise a certain sum for a precise purpose—the outcome is likely to be a successful one, since the shareholders, who may be regarded as taking an active interest in the proposal, will in all probability come forward with the required support. But if it is a matter of the company's being in low water generally and requiring further capital to tide it over into more prosperous times, it is not to be taken too readily for granted that after reconstruction the company will thrive automatically. It may be that there is need to look deeper—possibly into matters of management and policy—and in such event the case is in a somewhat different category.

On the whole, the effect of a proposal to reconstruct is to a large extent an open question, and one which is dependent for its successful issue upon circumstances and the feelings of the shareholders concerned. If the object of the reconstruction is a wide one the outlook may not always be optimistic, since the amount of extra capital afforded by such a scheme is not often of any real magnitude. But if the object of seeking such capital is one which is confined within fairly conservative limits—the raising, for example, of money with which to open up a new department for which the demand is undeniable—then it is by no means unlikely that the legal machinery for reconstruction can be beneficially utilised. The matter is in clear point in these days, at any rate, and it will be interesting to observe as to how far it receives commendation from investors generally. It is certain that in many cases the need for reconstruction is a clearly defined one.

Efficiency in the Office

By "VIGILANS"

The system of unit records, explained below, offers a valuable means of ensuring efficient stock records, of facilitating stock movement, and of providing a convenient average charging price or valuation, always available.

STOCK is but another form of money, and its movements should accordingly be as much a matter of careful record, repeated checks and balancing as occurs in respect of cash. Most of us know the type of man who on hearing the suggestion that a stock record should be kept exclaims "Stock record! Why! If I want to know what I have in stock I go to the bin and look." He is right as far as he goes. There can certainly be no better proof of the stock condition of one or any of his lines than that of looking at the articles, or what is left of them, and ascertaining by ocular observation how many there are. Yet there are drawbacks to this wonderfully simple plan. There is an unnecessary waste of physical energy implied in leaving his chair and proceeding several hundred yards, perhaps, for the purpose of casting his eye over the lot in question. Also it takes time. Another objection to it is that it is hardly business-like, and lastly such an attitude towards the question of recording stock ignores entirely a very vital factor in the matter. The point is—what about the issues? What were they made for, on whose authority? Is there to be no check on such important matters? If not, any article may be in a continually diminished condition without anyone being the wiser as to the reason for it.

Objects of the Stock Record

There are two sides to the question. Not only what have we in stock, but why is the stock position what it is. Articles are put into stock for a specific purpose—to be used or sold. They are to show a profit, and it is obvious therefore that economic stock-keeping entails some more systematic and

precise principles than are embodied in the primitive method of merely "going to look." Of course, in the larger and more efficient organisations detailed information as to receipts and issues is carefully recorded. However, many firms are not securing as many advantages from their stock record as is possible when such is properly designed. No matter how many or varied are the lines carried, each description of stock should be regarded as a unit, a distinct entity in a complete whole, and recorded from that standpoint. Only by this means is it possible to maintain a proper check on the stock position.

Need for Unit Records

Considering each description as a unit, it follows that by the use of individual forms for each type the exact position in respect of any particular line is revealed daily, as these forms would indicate fluctuations as they occur and always show the existing balance. In general, except of course at the periodical stocktaking, the motive behind any reference to the stock is "How do we stand as regards, say, 2-inch screws?" That is the matter of interest at the moment. Therefore screws as a whole may be ruled out, definite information being required concerning not about screws in general but *2-inch screws* particularly. Hence the need for unitising and making a distinct record of screws of specific lengths as distinct from all other screws. If this is done, then as in an army when each individual unit or soldier being efficient it follows that the army is efficient as a whole, so will the stock record be perfect and calculated to give the service which the labour spent on it justifies one in demanding.

Essential Information

There are other considerations arising. In again analysing the necessity for consulting the stock record it will be found that behind the reference is a desire to gather answers to the following questions—What have we in stock? If insufficient to satisfy the present requirements, what have we on order and when may we expect further deliveries? If there is enough in stock, is all of it available? Has any of it been reserved for some other order whose progress so far has not yet necessitated the withdrawal from stock of this particular description of goods? The form employed must therefore make provision for the tabulation of this essential information. It should in fact show details crystallising all the varied factors just enumerated. A form after the pattern of that illustrated fulfils these requirements.

A Valuable Form

It will be noted that the body of the form is in three main divisions—"Receipts," subdivided into "Goods on Order" with balance still to come. Under the main heading of "Issues" appear details of outgoings, while the third portion shows "Appropriations," consideration of which naturally affects the available stock. Three balance columns really appear, namely "Balance on Order," which shows undelivered portion of outstanding purchases for stock, "Total balance in stock," and "Balance actually available" for issue after deducting appropriations. These three broad sets of facts afford all that is really essential, and if there is insufficient stock the likely date of further receipts may be ascertained from a consideration of the date the purchase order was placed which is still outstanding. The perpetual balance columns are very useful as they dispense at the moment of reference with the necessity for a mental calculation, and save time when it is particularly important.

The Entries Explained

The method of entry would be after this manner. A new consignment of stock has been received. The clerk would enter the details in the appropriate columns in the

Receipts portion of the form, immediately adding the new quantity to the figure, if any, already appearing in the "Balance in Stock" column on the "Issues" side. At the same time he would add a similar quantity to the figure in the "Available Balance" column. Notification may then come through of the reservation of a quantity of the article for certain orders in progress. Details of these would be inserted in the "Reserved" column, and that quantity deducted from the balance available figure, thus showing the new amount which may be called upon. Issues will be shown on the "Issues" side, at the same time reducing the balance in stock and the balance available by a similar quantity. When these additions or deductions are made as the actual receipts, reservations or issues occur, the stock position is revealed clearly at a glance, a fact which considerably facilitates judicious decisions as to purchases.

Danger Points in Stock-keeping

Another aid to better stock-keeping will be found in the device appearing in the top right portion of the form, where occur spaces showing maximum and minimum quantities of the particular line which ought to be maintained. As to what the figures may precisely be, nothing but past experience can tell. They will be determined from a study of the fluctuating movement of the article, as displayed on the stock record form itself, after it has been in use for a period. It is just as unwise to have "too much" in stock as it is disastrous to carry "too little." Overstocking means more idle capital and carries with it a possibility of financial loss through depreciation. Again the unfortunate contingency of inadequate stock leads not only to panic buying of further supplies at what may happen to be inflated prices to satisfy a sudden demand, but may mean all the difference between ability to execute a sales order and the mortification of suffering cancellation through inability to complete within the specified time. Wherefore, having determined from past experience of individual lines what quantities should be assumed as the levels of safety, their indication on the form enables the stock clerk at

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such times as he may be making entries to compare quickly the figure at which the stock stands with the maximum and minimum shown, notifying the responsible person immediately in the event of the stock approaching too nearly the minimum. It is not always feasible or necessary to order new stock as soon as the line shows signs of receding to the danger limit. The market may not at the moment be favourable to good buying, or the purchase manager may maintain a rule of ordering in bulk once or twice a month, instead of a piecemeal placing

cases the storekeeper should be made responsible for keeping each lot as put into stock so segregated that on receipt of a requisition for that particular class of goods he may select at once the oldest lot and thus clear it out. As a check on this method of issue, and with a view to leaving no loophole for any inadvertent violation of the principle of issuing first the items which have been longest in stock many firms find it advisable to record stocks of this nature by lot, a number being allocated for identification purposes. Where this occurs the stock

THE STOCK RECORD FORM

DESCRIPTION :							Unit.	Maximum.	Minimum.	
Date.										
Average price per unit..										
RECEIPTS.					ISSUES.			Balance in Stock.	• RESERVED.	Available Balance.
Date.	Order No.	Quantity on Order.	Quantity Received.	Balance on Order.	Date.	Order No.	Quantity.		Order No.	

of replenishment orders. In such cases the stocks getting low would be rendered prominent by the use of coloured signals. Then when the periodic ordering is to be done, search over the whole of the stock record is obviated, as only those lines signalled need receive attention. It should also be mentioned that this limitation of scrutiny will be conducive to accurate procedure and render the likelihood of overlooking a low-stocked item remote.

A System to Facilitate Stock Movement

It sometimes happens that the stocks handled by certain firms are of such a nature as to make it imperative that none should remain dormant any longer than is possible. Such goods while not perhaps being capable of inclusion under the designation of "Perishables" may nevertheless be likely to deteriorate if not moved out quickly. In such

record would take a slightly different form from that already described. It would primarily be a record by lot, one form for each lot, on which would appear the number by which the storekeeper had arranged them for the purpose of identification. Although the forms would be numbered they would not be filed by that number, for the key to reference being description, they would accordingly be filed by the name of the article. All forms representing similar goods but different purchases would of course fall by this arrangement in the same part of the record, guide cards facilitating location. The form representing the oldest purchase should be at the front of each section and as further lots are put into store the forms for the newer lots of the same line would fall behind. Thus record of the items lying dormant the longest would come to hand first. On receiving a requisition for issue the stock clerk would refer to the appropriate section

of his record and note on the requisition slips the numbers of the lots (being the oldest) from which the storekeeper must satisfy the demand, the issue being duly noted on the lot card. The storekeeper having so disposed his stock in accordance with the numeric identification, he has no difficulty in locating the desired item. This scheme ensures that the oldest item of stock is moved out in preference to an inadvertent issuing of newer lots of the same line. One knows that an efficient storekeeper always endeavours to turn over his oldest stock as soon as conditions permit, but where deterioration may be comparatively rapid it requires some more systematic and mechanical routine for proper issuing of the right pieces than is implied in a reliance on the memory or discretion of the storekeeper. In such cases nothing must be left to chance.

Stock Valuation : The Average Unit Cost

For charging out purposes or approximate valuation of stock it is often advisable to indicate on the record forms the average price or cost per unit of the articles. This is sometimes done in the following manner. The unit is assumed not necessarily as one,

but by the way in which the goods are bought; large and bulky items may be charged at so much a piece while smaller items are charged in units of dozens, by the gross or by the pound. For example, imagine the matter of a certain class of nails bought at (say) 5s. a lb. Ten lbs. are put into stock. The total value of that stock is therefore £2 10s., value per unit of 1 lb., 5s. When half the stock is exhausted leaving 5 lbs. remaining, a further 5 lbs. is ordered and put into store at the lower price of 4s. 6d. a lb. An average is then made. There is in stock 5 lbs. of nails at 5s. a lb., value 25s., and 5 lbs. at 4s. 6d. a lb., value 22s. 6d. The total value of all these nails is therefore 47s. 6d. representing 10 lbs. of nails, average unit value per lb., 4s. 9d. That is the new average unit value. If the illustrated form is referred to it will be observed that just below the heading "Description" certain spaces occur against which are the words "Date" and "Price." In these spaces the dates of the latest purchases would be entered along with the new value thus created by the difference in price at which the goods were bought. By doing this an average charging price or valuation is always available without the need for elaborate calculation.



Co-partnership in Industry

THERE was never a time, says the Labour Co-partnership Association in its 36th annual report, when the public mind was so favourably disposed to the consideration of means by which Capital and Labour can be brought into closer relationship. Depression in trade and Labour unrest have both emphasised the need for finding some better way, and an increasing number of people have, after examination and trial, recognised the value of Labour Co-partnership.

The convincing character of the principle is made clear when employers, known for their ideal working conditions and for being students of economics, change from being opponents and adopt Profit-Sharing, as is the case of Messrs. Rowntree, of York.

The general activities of the Association have been carried on vigorously throughout the past year, but its work is hampered by lack of funds, and the cordial assistance of all members and sympathisers is invited.

Finance for Business Men

By OUR FINANCIAL EDITOR

THE oil industry appears to be marked out as extraordinarily subject to a series of shocks that follow one another with altogether disheartening consistency. Some little time back, with Mexican Eagles in the immediate neighbourhood of 2, it seemed not too optimistic to consider that really the bottom of prices must have been touched. Deflation had been in progress since 1920; the bogey of salt water seemed either to have been exaggerated or to a considerable extent compensated for by the opening of fresh wells, and so on. Yet such very reasonable optimism on the part of the long-suffering shareholder, in the light of the report of the company for 1922, is once again fallacious. The company apparently bought crude oil in quantities on a persistently falling market, while at the same time its own production showed the enormous decrease of approximately 16,000,000 barrels over the previous year, and drilling has not been so successful as one might have supposed in following announcements made from time to time.

A Drastically Reduced Dividend

To cut off the prospect of the distribution of profits at the interim figure of 8 per cent was admittedly a sudden shock; but it seems on the face of it to have been a necessary expedient, as much now will depend on whether operations to be conducted on additional and untried land, owned or leased by the company, justify expectations.

A substantial measure of the trouble has, of course, been brought about by the disproportionate demand for gasoline in comparison with that for other oil constituents. The great oil interests have for some time wisely decided that a 'can' policy which would keep the price of petrol and the like up, and the consumption down, does not suit a great industry; but in cheapening the price of oil for the petrol engine they have put such life into the motor-car industry, that enormous, substantially unsaleable, and probably in the early future, unstorable,

stocks of the heavier oils are accumulating. Obviously, if the world's trade in many other commodities does not expand so that purchasing power may be provided to continue the development of the motor-car, or motor-driven vehicle, the enormous efforts made by the great oil interests to anticipate such development will not be suitably rewarded; and if the development does continue at a rapid rate, the great demand for gasoline will mean lamentable waste of what are at present more or less by-products, although the day may come when gasoline itself will perhaps be but a by-product of some greater feature yet to be developed from the crude oil.

Present Position Anticipated

The past year, of course, has seen increasing activity of the Shell-Dutch group in the United States, which tends to suggest that to some extent these great oil interests conceived the necessity of securing alternative interests to the potential yet disappointing interests in Mexico. At the same time, it is understood that extensive drilling is being carried out under the auspices of the group, which presupposes faith in the oil-producing prospects of the latter country.

The Conservative Security

If we glance for a moment at one or two of the finest types of investments, it is really striking the improvement that has been made therein from the worst of 1920. Consols from 43 have lifted to about 59; India 3 per cent from 43 to 60; and, to take a slightly less conservative example, Great Western 5 per cent guaranteed from 71 to about 108. With world trading conditions as they are, outside the home market of the United States, it is highly probable that a high percentage of the enormous interest accruing from these high-class investments returns to them, and will, of course, tend to keep up and indeed increase market prices, and obviously while money is not being

appreciably attracted into the trading sphere it must develop a tendency to become gradually cheaper. Again, if as a nation we are "set" on establishing par value for sterling as reckoned in terms of the dollar, deflation is not yet likely to be finished, and continued deflation will mean further decreases in the prices of goods in this country, both of which factors will produce greater respect for the fixed dividend-earning security.

The New York Foreign Issue

On the other hand, we find that sterling in New York recently has been at its lowest for the year—under 4.60; whereas earlier it stood in the neighbourhood of 4.72, and among the causes of the decline may be reckoned British buying of New York foreign issues. The interest on such securities is payable in dollars in the United States and is generally free from taxation by that country if the bonds are held abroad, and if, subsequent to purchase, sterling falls in New York the British holders stand to gain; just as American holders of sterling securities would gain by subsequent increases in the value of sterling exchange in terms of the dollar. Obviously, if as seems probable extensive purchases of these dollar foreign issues of New York have been made by us, such purchases are tantamount to buying dollars and aid in developing the rise in the premium of United States currency.

The Monthly Settlement

The present cash basis of payment for securities dealt in in the Consol market has now been a "standing order" for some years, and there is certainly an influential section of the public which would welcome a return to pre-war conditions in respect of such securities. It should help to popularise the gilt-edged security, or at any rate lead to an increased number of bargains in that market. Latterly they do not appear to have been so frequent as a short time back, when we heard of a prominent firm of Consol jobbers retiring and distributing some £50,000 or so among their employees. Whether the professional side would welcome the change or not, the investing public would like to see a reversion to the pre-war condition with its

greater "convenience" in taking an interest in the premier securities.

Brewing : A Substantial Recovery

As an instance of the very substantial recovery that has been made in the brewing industry in comparison with pre-war conditions, a certain company, not, apparently, one of the dominating undertakings, some three or four years prior to 1914 issued participating certificates to its preference shareholders by way, so to speak, of compensation for a reduction of capital. These certificates for a long time were valued at but a few shillings, although the redemption price at par is about 55s. To-day the preference shares are receiving their full interest and sufficient funds are available for the redemption of the outstanding participating certificates, with the result that they are in the neighbourhood of 50s. To those who remember the boom in the trade before the war and the subsequent collapse with some of the biggest concerns heavily writing down their deflated assets, a recovery such as this must appear indeed remarkable, and it is, of course, no isolated instance.

Nitrate

Some months back we drew attention to the excellent prospects of the nitrate industry and, in spite of debatable factors, such, for example, as the currency difficulty as applied to the European market, the present strength of the commodity position is remarkable; forward sales being in the neighbourhood of 21s. per metric quintal, with heavy quantities passing. Such an outcome from the worst of perhaps the most serious depression in the industry is just another vindication of the principle of control. We have seen it in tea, wool, and indeed in practically every industry where it has been feasible for the vested interests to get together, and put up the money to carry the vast over-production of the period of inflation, and by dictating the policy of production and preventing knock-out prices for the commodity, they have secured a gradual liquidation at more or less reasonable prices, and been the means of saving the industry, or industries, so controlled from collapse.

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Yours faithfully,

W. H. Stalker, A.S.A.A., F.C.W.A.,

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Finance of the Industry

If we investigate the nitrate industry as a whole, one point obtrudes itself, and that is the strong financial position of the operating undertakings. The policy of the nitrate companies for many years has been to distribute large profits and to form substantial reserves, and, in the main, little capitalization of reserves has ensued, in marked contrast with certain other industries. Few of them have issued debentures, and not being overloaded with capital and so controlled from the selling point of view that profit, whether it be large or small, is certain, nitrate, taken as an industry, appears particularly sound.

The New "Cloth of Gold"

Much thought and invention has been given to the question of the reduction of working costs in relation to the recovery of gold, the processes for treatment being indeed legion. At the Crown Mines Annual Meeting it transpired that the latest process to be adopted (a revolution in simplicity) consists in substituting corduroy cloth for the copper plates coated with mercury. In the normal way, crushed ore and water flow from the batteries over the plates and gold, having a strong affinity for quicksilver, is caught (amalgamated, technically speaking) in passing, the amalgam being subsequently scraped off and the mercury volatilised, or retorted, in order to recover the precious metal. Corduroy cloth is now to be substituted for the mercury-coated plates, and it is claimed that by means of the corrugations of the cloth allied to its "hirsute" properties as good if not a better percentage of gold is recovered than from the plates, and without the trouble of attention and the further process necessary to complete extraction. If all that is claimed for this idea is borne out in large scale trials, it will rather suggest that we are reverting to primitive methods in tackling the problem of gold recovery. Of course, the idea would only, one imagines, be applicable to coarse gold; as the amalgamation process only recovers about three-fourths of the gold and the cyanidation of residues is necessary for a high percentage extraction. If adopted on a large scale, however, it should mean another little help for the textile industry.

"Conversation" into the Company

The conversion of the private partnership into the company (mostly the private company) at the present time seems to be popular, and a glance at the process and the prospects of the venture should not be without interest.

Years ago it certainly might have been said with some measure of truth that the principle of joint-stock enterprise sheltered the evildoer, even while obviously aimed at assisting the man of business integrity. To-day, however, such a contention could not with justice be made even by the most ignorant critic of our main financial feature. It should be remembered, however, in mitigation of the past that there are but few enactments of importance which when passed into practice do not require supplementary provisions, and the principle of limited liability, enacted in 1855, has proved no exception to the rule. These supplementary provisions, or statutes, were consolidated by the Companies (Consolidation) Act of 1908, and still further improved on behalf of *bona-fide* business up to as recent a date as 1917.

As a result of this legal evolution, it may readily be admitted that the principle behind the joint-stock undertaking is circumscribed with difficulties for the successful carrying out of any dishonest intention; while, where genuine business is intended, risk is limited, the essential of a degree of secrecy is admitted, values are simplified, expansion is allowed for, and the like, which clearly help to smooth the path of the honest trader.

The Popular "Private Company"

As some indication of the popularity of the private company over the public company, it may be noted that the number of registrations in England and Wales for 1919 (a great year of trade) exceeded 9,800, and of this number private companies were but little short of 9,000. From these figures we may deduce the fact that to the trader, small or large, to whom the welfare and expansion of his business is of more importance than a possibly inflated and fluctuating market value, the private company is better suited than is the public company; and,

further, that the value of the principle of the private limited company has been very soundly exercised in recent financial history.

The Creditor

The contention that by the act of converting his business into a company a trader tends to narrow his credit potentialities, is to-day somewhat out of date, as even in a year of prosperity like 1919 such wholesale conversions would not have been in evidence had there arisen the possibility of traders losing even a measure of their credit status. As a matter of fact, the company which excessively overtrades and the individual that excessively overtrades are equally difficult to recover from, as has been proved in many a court of law. The big figures of bankruptcy returns in a year of depression additionally suggest that the creditor is no more favoured under the one system than under the other; hence we are inclined to think that there are but few firms or individuals who prefer to give substantial credit to the private trader rather than to the private or public company on the strength of the old-fashioned argument that the liability of the former is unlimited and of the latter limited.

The Creditor's Means of Adjustment

As a small point in favour of the limited company, one is inclined to insinuate that quite a common method where a private firm has fallen on unhappy days, and one initiated by the creditors themselves, is to convert the unfortunate concern as quickly as possible into a company under the Companies Act, as being the best means of reconstructing the business on a common-sense basis and insuring a simple and direct means of dividing future profits, no matter what the number of creditors may be, or the varying values of credit extended to the original proprietor.

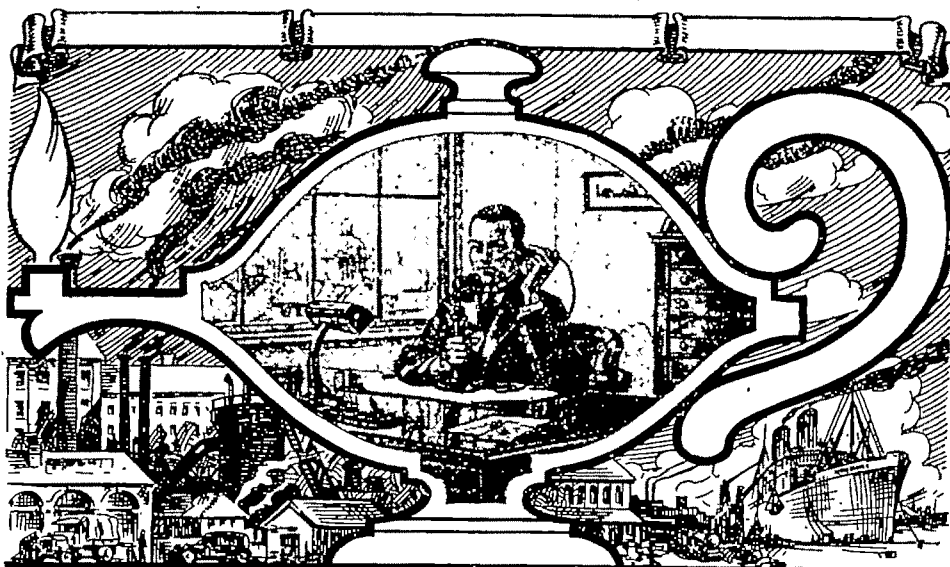
The Point of Liability

There can, of course, be no question but that the individual trader, or the private firm, is running what may be considered an unnecessary risk, although it is obvious that

the risk, being perhaps remote, may not enter into his or their calculations. Yet it is sometimes the remote that transpires, and should insolvency intervene the liabilities of the partners in the business are by no means ended by realization of the assets of the concern; liability subsequently becomes a personal matter for each, as in the case of the shareholders of a company the liability of which is unlimited. In the investment world it is held to be a questionable policy to hold the shares of even the most substantial undertaking even where the liability is ascertainable, and the position of the partner in a private business is a degree worse. Even his transfer of interest *inter vivos* could, within a period, be found to react prejudicially against those whom he might have wished to benefit at a time when any question of liability appeared out of the question.

Risk Eliminated

On the other hand, it is so simple and straightforward to avoid all questions of risk, outside that attaching to the possession of the shares held by reason of conversion, that it is hardly to be wondered at that so many conversions are taking place. The owner of a business converts and as vendor to the company retains a controlling majority of the shares. To all intents and purposes he remains the owner of the undertaking, and should bad times come the money that he may have taken out of the business by way of profit and saved is safe. It certainly seems very hard (and one heard of so many cases of this kind in the trade *débâcle* of 1920) that a man trading as an individual enterprise should suddenly be called on to disgorge to the uttermost penny the savings of a lifetime, because he is perhaps swamped by abnormal conditions which to a considerable extent have been forced on him. The present debt that he cannot liquidate clearly and morally belongs to the trading present, yet in effect it may possess a retrospective force of many years. The limited liability company certainly prevents this delving into the rewards for past years of labour and helps to adjust temporary if conflicting conditions.



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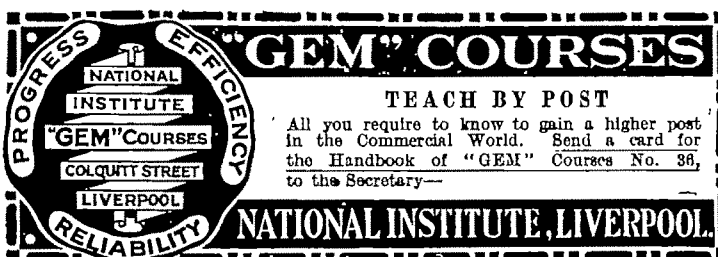
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[REDACTED] the piecemeal measures so far suggested—a scheme which would make it possible for large numbers of those who are unemployed through no fault of their own, but through the partial failure of the industrial machine, to maintain their self-respect by doing work useful to the nation for the assistance they receive. There is no lack of things urgently waiting to be done, and properly directed expenditure to such an end would be the wisest form of economy.

[REDACTED] our industrial [REDACTED] be numbered among the [REDACTED] last year; and so far there [REDACTED] white break in the cloud of trade depression. It is galling to our unemployed to read of the industrial boom and high wages in America, of the increasing prosperity of France, and the still busy factories of Germany, and to reflect that their own position goes from bad to worse. Such thoughts breed bitterness and ill-temper, and it may be doubted whether in these unprecedented circumstances the Government are not relying too implicitly upon the traditional patience and forbearance of our workers. Certainly, their proposals for dealing with the situation during the coming winter betray a hesitant, temporising policy, and a woeful lack of enterprise and imagination.

The Call for a Constructive Policy

The Industrial Group in the House of Commons, headed by Sir Allan Smith, Secretary to the Engineering Employers' Federation, and representative of all shades of opinion, call for a strong constructive policy of employment instead of the palliatives suggested, and most business men will share their views. The worst victims of the dole system are its unfortunate recipients, but the State is also enormously the poorer by reason of the sad waste of productive capacity it involves. Merely to perpetuate this vicious system is an astonishing confession of weakness. It should not be beyond the resources of the Government to evolve a scheme of employment which

Blow to British Manufacturing Prestige

The story of the International Exhibition at Rio de Janeiro is not too creditable to our manufacturers. Brazil, which is nearly as large as Europe, is one of the potentially richest countries in the world. The Brazilians held a magnificent International Exhibition last year, and have since awarded the ordinary exhibition medals and commendations: 771 prizes fell to the French, 300 to Italy, 250 to Belgium, 246 to the United States, and 114 to the British. The Overseas Trade Department accounts for the difference by saying that so few British firms were represented. We do not know whether the Overseas Trade Department made any special effort to persuade British manufacturers to show up at Rio, but we are quite certain that our prestige as a manufacturing country suffers when we allow ourselves to be outdistanced by rival nations on special occasions of this kind.

Difficulties at Wembley

The British Empire Exhibition at Wembley, which will open next year, is in rather deep waters at present. The

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Vol. VIII.

SEPTEMBER, 1923

No. 6

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Notes and News

Commercial Motor Trade Fillip

IT is announced that, in order to encourage the use in commerce of a 30 cwt. lorry, fitted with giant pneumatic tyres, the War Office will pay a subsidy of £40 a year to all purchasers of approved vehicles or chassis of British manufacture who enroll under the scheme which entitles the War Department to purchase such vehicles in a national emergency at a price fixed by agreement at the date of enrolment. The subsidy offers a belated and much-needed assistance to the commercial motor trade, which has passed through an exceptionally lean period since the Armistice. Apart from increasingly severe foreign competition, the activities of the Disposals Board have greatly aggravated slump conditions of trade for commercial motor manufacturers, who feel that they have a grievance against the Government on this account. The apparently never-ending sales of War Office lorries at ridiculous prices has crippled the demand for new production,

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... is this: The importer of goods (whether from Germany, Austria, or any other country) can market these goods just a little under the cost of the English corresponding article, with the result that the man in the street does not get anything really cheap, the retailer makes an exaggerated profit, and the workman loses the work.

Evidence of Gross Overcharging

Perhaps one of the most direct pieces of evidence that I have received is the following. Of course, it is a common practice to send samples, or even goods, on sale or return. Now, these goods naturally bear the manufacturer's price, probably attached by a ticket. The firm handling these goods obviously have to remove such tickets and attach their own price which carries their profit. Now, the instance I have in mind is this—through carelessness samples were returned to the manufacturer with the prices that the retailer required attached. This, in fact, has occurred in several cases, the added profit ranging from 50 per cent to 130 per cent. 50 per cent is quite possibly a reasonable profit for a retailer, but 130 per cent is out of all question, and it is manifestly unfair that the producer with the creative brains should have his output limited by this undesirable method of business.

The manufacturer gets hit every way; he even has shipping against him. I have ascertained that the freightage on a case of 50 dozen walking sticks from Liverpool to Rangoon is 65s., whereas the same case of sticks shipped from Hamburg to Rangoon only costs 15s., the difference being exactly one shilling per dozen.

There is another thing that has a very direct bearing, and that is the fact that the country of origin is not disclosed. I was hopeful that the new Merchandise

Profiteering is not confined to one particular class of article alone; for instance, a bottle of cough mixture was sold at 1s. 3d. including the bottle, but the same bottle was refilled a week later and the charge was 9d. Then I have heard of cloth, the retail price of which was 9s. to 12s. per yd., although it had been purchased from the wholesaler for 6s. per yard. There is the case of fire bricks, which certainly are not bought in vast quantities. Before the war they cost 6d. each, and I am informed that the manufacturers can produce them to-day at between 6d. and 9d., but the only price that one retailer would take was 2s. 6d. each, and he adopted the attitude "if you do not like it, you can leave it."

Blouse Profits

A manufacturer made a special line of blouses, which he sold for 4s. 11d. each, these were marked in the shop windows at 35s. each!! Then there is preserved provisions, such as tongue, potted meats, etc. Now, surely, a well-known brand should have only one price; but this is not the case; in the so-called aristocratic portions of a town a higher price is charged, to the detriment of the producer. It must also be borne in mind that in the majority of cases the retailer sells for cash, which is very important, and has a direct bearing on the matter. Then there are goods, such as mineral waters, on which the profit

At the ...
By ...
General Secretary of the

The prices charged by retailers do not adequately occurred in wholesale prices. In many cases gross profiteering of overcharging have been received that the National Union of ... an inquiry, some of the startling results of which are described below

IT has been suggested to me that the time is now overdue when the manufacturers of Great Britain should use every effort to let the public know on whose shoulders lies the real responsibility for profiteering, or rather, the selling of goods at exaggerated profit. The manufacturer is accused of everything. He is taxed out of existence, and subjected to all sorts of interference and inconveniences by Government departments, but the fact remains that except perhaps in a few isolated cases, such as proprietary articles, or anything of that nature, it is very nearly impossible for him to force up his prices, and thereby gain exaggerated profits.

The man in the street, who is not closely connected with a manufacturing firm, never gives a thought to the difficulties with which the manufacturer has to contend, because he purchases the goods at a retail shop, and if he thinks at all, it is the shop about which he thinks, certainly not the factory at which the goods are made. He is not to be blamed. For instance, if he goes into a retail shop, or a department of a great store, to make an everyday purchase, say, of an ordinary penknife, he has no picture in his mind of the internal arrangements of the great Sheffield firm which made the penknife. He cannot see in his mind's eye the blast furnaces, or the mass of revolving wheels, the perspiring humanity, in fact, the hive of usefulness.

It is perfectly obvious that the manu-

facturer of the goods, or whichever you like to call him, must rely upon the integrity of the retailer to get him the business, and I contend that a retailer when dealing with the goods of a British manufacturing firm should put himself in the position of an accredited and dignified agent, and his ambition should be to increase his sales so that he can increase the output of the various factories in which the wares he exposes for sale are made. He most certainly should not adopt the idea of making a small turnover at a large profit, which is the worst method ever conceived.

A manufacturer does not turn out one particular commodity only, but hundreds, and therefore it is impossible for him, individually, to open retail shops, as it would not be a paying proposition.

Extortionate Profits

But to get back to the matter of profiteering, it would, perhaps, be as well to give a few instances. I am very credibly informed that a manufacturer of umbrellas endeavouring to find work for his employees, produced a special line, and by eliminating the middle man, he offered them to the retailer at 15s. 6d. each, a really nice article, but these umbrellas, which the retailer obtained for 15s. 6d. were offered to the public at 57s. 6d. Then again, coats sold by the wholesalers for ten guineas, have been retailed for 20 guineas. It must be remembered that the retailer has to take no risk with regard

...the Christiansi
...ious to help
...devoting any
...development of
...and buildings in England.
...general manager of the firm served
...many years with great distinction in
...the British Navy and is an Imperialist
...to the backbone.

Nevertheless, it is a little difficult to understand why the firms employing British capital should have lost this particular contract, and I can only imagine that they must have gone a little wide in their costings. It seems to me that the dominating factor in these matters is organisation, and I would like to give the following instance. The head of a very great engineering firm, a respected member of my council, was able to tell me quite recently that he had got his factory into such a perfect state of organisation that to-day he is in a position to get his cost of production down to what it was in 1913 without attempting and certainly not wishing to cut his wages bill.

Now is this the time (when the whole country is absolutely at famine point with regard to money) that contracts should be sent abroad unless it is absolutely necessary?

Unnecessary Purchases Abroad

I have before me, also, a contract from a Board of Guardians, requiring quotations for certain foodstuffs, and I notice that the principal items are bacon and lard. It is distinctly stipulated that the contractors should quote for American bacon

England
bacon-pr
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Then, ag
quote for A
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imported into this country means a direct effect upon employment. Furthermore, there is no real economy, as the English production being the finest quality in the world would probably go farther, but when you take the loss of wages on the top, the proposition is unsound.

Buy British Goods

We cannot dictate to India, Egypt, or South Africa, as they are self-governing Dominions, but surely the Government can stipulate that public spending bodies such as the London County Council, the various asylums, prisons, and other institutions, Borough Councils and Boards of Guardians should purchase nothing but *British* goods. We have lost our overseas markets owing to the war, and what will happen no one can foretell, but I claim that every British manufacturer—let him be a grower of corn, or a Scotch miller, a producer of bacon or other foodstuffs, a maker of machinery or the many thousands of items which cause the wheels of British industry to revolve—has an absolute right to *demand* that at all events his own home market shall be protected.

Dumping of Foreign Goods

I have referred to the collapsed exchanges which make it impossible for Great Britain to do overseas trade. They

from Germany, their excuse being that who require a fire escape, are purchasing, being really up to date and enterprising, Birmingham, a city that is looked upon as we find that the Corporation of Bir- position would very quickly alter, but were forced to buy British goods, the pointed out that if public spending bodies problem of the moment, and I have always Unemployment is by far the greatest the business in our own country.

a contract for filters with a Danish firm, because they claimed there was a saving of 8 per cent.

Recently we saw in the Press that the Metropolitan Water Board had placed

Buying Policy of Public Bodies

example. a very fine factory they set of British manu- buying an engine country, and by lost to this wages would be realised that the Germany, as they buying from decided against firm, but they by a German very well.

MR. GODFREY CHEESMAN

Russell London

Photo



the right to do can, and have ly argued, we been so frequent- trade, but as has to do overseas for Great Britain it is impossible changes, whereby the collapsed ex- is the matter of at the moment greatest troubles One of the profiteering. ated one, or and an exagger- sonable profit between a rea- deal of difference there is a great head charges, but COVER HIS OVER-

importance of actual business experience, but they seldom realise that the lessons which experience teaches will be richer and fuller when they fall upon minds which have previously been grounded in general principles. One can sympathise even less with the business man when one remembers that his demand for a more "practical" education has already been met through the increasing recognition which the universities have shown towards the requirements of modern industry by the establishment of Faculties of Commerce and Technology. No longer can employers maintain that the university man has had a classical education which unfits him for a business career, and even classical scholars have been known to prove their worth in business.

Ignorance of Employers

A brief outline of the course of study for the commerce degree may not be out of place here, for the writer has been struck again and again by the ignorance which prevails among employers as to the nature of the training which the student receives. The course covers a period of three years (five years if taken in the evenings) and comprises the following subjects: Economics, Organisation and Administration of Industry, Commercial Law (Contracts, Agency, Partnership, Sale of Goods, Carriage, Negotiable Instruments, Insurance, Bankruptcy, etc.), Accountancy, Commercial Geography, Modern History, and Modern Languages.

Even the most ardent business man, one imagines, could not maintain that such subjects are too academic—by many, they are looked upon as being almost profane!

The Salary Question

Some employers, however, have admitted quite frankly that they no longer object to the course of study, but rather to the expectations of graduates, many of whom, it is declared, insist on an unreasonably high commencing salary, even when they have had no commercial experience. What is meant by an "unreasonably high" salary the writer does not know, but he is certain that the majority of graduates are quite willing to accept what any employer would admit to be a low commencing salary if only they can secure a progressive post.

To make a preference in favour of university men is not a restriction of competition, as certain critics have urged, nor need it savour of class warfare. It would admittedly give them a greater start in commercial life than they at present enjoy, but surely the remedy is not to be found in denying those who have had the advantage of a university training the right to benefit by it—that is the negation of competition—but in a greater equality of opportunity to enjoy the benefits of higher education.

After all, one of the greatest claims of our present economic system is that it puts brains into industry in that the successful business organiser must be constantly on the watch for any new processes, improved methods, supplies of trained men, etc., and be prepared to make use of them as soon as they reach the level of true business economy.

Let us see to it that we do not lay ourselves open to the charge that this all-important claim is not fully justified by the facts.

Readers who desire to submit suggestions for special features, or to offer criticism, are cordially invited to communicate with the Editor.

make it possible for foreign producers to make goods at a price with which the British manufacturers can never hope to compete. Now these foreign made goods are coming into the country at a very low price, but they are sold at round about the price of the British goods, with the result that the general public does not benefit, and the British manufacturers are being forced out of business because they do not stand a fair chance. Large fortunes must be being made at the present moment by many retailers.

Like the youth who complained that his father blamed him for everything, so is industry blamed; every possible

burden is put upon it, and it has not the slightest consideration or help. Agriculture should be encouraged in every way, as we must be self-supporting in foods, and the same applies to manufacture.

The position to-day is impossible; something must be done, and done quickly, as manufacture is the backbone of the country, and when it breaks, the country must break with it, and the unemployment then could never be met by doles, there would not be sufficient income in the State to give the necessary relief to enable British people to live, and what the result would be one even fears to think.



University Men and Business

What Are the Facts?

By F. WHITMORE, B.COM.

TO those who knew the facts the charge recently made against the Federation of British Industries that it had decided to reserve the administrative posts in industry and commerce for public school and university men must have seemed too obviously ill-founded to have merited the official denial which it immediately received. Probably one of the most serious blots upon the organising efficiency of the modern British employer is his inability or unwillingness to keep in touch with, and take full advantage of, the revolutionary developments which have taken place in the sphere of commercial education during the last ten or twenty years. Is it not a well-known fact that to-day there are university graduates in all parts of the country who are unable to obtain suitable employment, while many others are engaged upon work in which they have little scope for their abilities? Even after making due

allowance for the depressed state of trade the plain truth is, that far from giving any undue preference to university men, the business world, with a few noteworthy exceptions, is still suspicious of the practical value of academic training and maintains its old attitude of hostility, or at least of indifference, to those university men who are desirous of entering industry and commerce. There is still prevalent that profound distrust of the theorist which many so-called "self-made" men are apt to postulate as the foundation of not only their own, but of their country's commercial success. Is it not rather true, however, that this country has achieved its greatness not because of this attitude, but in spite of it? Surely the rapid industrial progress of Germany ought to have taught us the essentially close relationship between theory and practice.

Employers rightly insist upon the

Bad Debts and Costing

By HENRY E. COLESWORTHY, A.S.A.A. (Hons.)
Gold Medallist of the Society of Incorporated Accountants and Auditors
and SIDNEY T. MORRIS, A.S.A.A. (Hons.), A.C.W.A.

Should bad debts be included in the cost of production? No question is more hotly debated in costing circles. Our contributors explain why such a practice is opposed to scientific costing principles, and indicate the proper method of providing against bad debts in quotations and tenders.

CONSIDERABLE confusion still exists and acrimonious discussions continue upon many matters of costing principles. One contentious matter especially demands consideration. Should bad debts be included in the cost of production? The compilation of catalogues and the preparation of estimates for expected contracts give an opportunity for discussion on the matter of inclusion or omission of such items as bad debts in the material and data from which the catalogue prices are drawn. Theoretically and practically the inclusion of bad debts in oncost is wrong. The fact that it has been a common practice in certain businesses and at certain periods will not serve to justify the procedure on particular or general grounds. Certain authoritative writers and at least one official trade costing committee advocate the charging of bad debts in oncost without regard to the recognised principles of scientific costing.

An endeavour to justify the practice is sometimes made by referring to the memoranda on cost-plus-percentage contracts of the Government in vogue during the war. The memoranda certainly did allow the inclusion of bad debts in oncost but when the reasons for this departure from principle are examined, it will be seen that this practice, in common with other Government precedents, cannot be applied to commercial procedure. It is known that the allowance was made in order to encourage contractors to extend their trade as much as possible. The

oncost charges, of which the Government was to bear a share, were thus distributed over a larger output than would have been the case had the manufacturer restricted his trade to customers of undoubted financial stability. The saving to the Government in this way was invariably greater than the allowance made for bad debts.

A similar answer may be given to the contention that commercial practice should follow that of the Inland Revenue. The authorities certainly allow bad debts to remain in the accounts as a charge when computing the statutory taxation assessment, but the allowance is only an equitable one to encourage the development of trade at the risk of occasional bad debts. The fostering of credit, upon which only an expansion of trade can take place, is a consideration which should always guide taxing legislation, and the allowance of bad debts is but an instance in which effect is given to the precept.

It is evident that the matter must be considered on commercial grounds alone. Broadly speaking, cost of production comprises the expenditure incurred in producing a definite unit of manufacture and total cost includes the cost of manufacture and the cost of distributing and selling the unit. The question immediately arises: "Are bad debts an expense incurred in producing, distributing, or selling a commodity?" The answer to the question is that bad debts constitute a loss after the commodity has been sold and cannot be a constituent of either production, distribution, or selling cost.

The loss is comparable with diminutions of profit arising from such contingencies as defalcation, pilferage, damage by fire, flood, or explosion. An appreciation of the distinction between cost and appropriation of profit is best gained by discarding the terms "gross" and "net" profit. Mr. Elbourne, an authority on Industrial Administration, recommends that the difference between the cost figure and the realisation be referred to as a "margin." This happy term denotes precisely the fund by which losses due to bad debts are covered. From the margin the manufacturer must allocate or forgo as much profit as is necessary to meet the contingencies named. It is true, of course, that against most of these appropriations he will be covered by insurance, but in so far as he is not covered he must bear the loss. In the case of bad debts the loss will usually be irrecoverable, and the present lack of credit insurance facilities seems likely to continue at least for another year or so.

It must not be assumed that the principle enunciated precludes provision against bad debts in quotations or tenders. When dealing with firms of doubtful standing a reserve will be added to the

cost before calculating the addition for profit. Quotations to reliable firms will be based on cost plus profit only. This procedure is very different from that of charging bad debts in oncost, the effect of which is to spread the reserve over all contracts and units of manufacture. In the former case the addition of the bad debt reserve to cost of production has the effect of charging a class of customer with a contingency likely to arise only in dealings with that class. This accords with the well-established principle of charging all money laid out by the manufacturer as far as possible direct to the particular job concerned.

The theoretical proof of the principle set forth is to be found by taking the hypothetical case of a manufacturer who devotes 50 per cent of the resources of his plant to one customer. If bad debts are charged in oncost and the one customer defaults then at once we have illustrated the futility of endeavouring to charge the remaining customers with the "diminution of margin" incurred in the defaulter's bankruptcy. To state that quotations sent out in a competitive market, if based on such costing, would be absurd, is to state a truism.



The Pooling of Shorthand-Typing

WOMEN and girl typists in the Civil Service apparently strongly object to the Desborough system of centralising the work of shorthand-typing in one department, and of measuring the daily output of the operators. This system, which was invented by Mr. W. Desborough, of the Treasury, was fully explained by him in an article which appeared in this magazine for May, 1920. By its adoption at the Treasury, a considerable increase of output has been obtained from the shorthand-typists without, it is claimed, any undue pressure.

The shorthand-typists themselves, however, protest against the system on the

ground that it lacks elasticity, that no allowance is made for those who have a multiplicity of duties, that the delays of dictators are counted against the typists, and that measurement of work done is applied equally to mere copyists and to dictators, who may also have to answer the telephone and receive visitors.

It is stated that greater elasticity in estimating output is to be introduced as a result of these objections.

A propos, it would be interesting to have the experience of business firms who have introduced the pooling of shorthand-typing into their offices.

...ing success, but does it set up a method for planning the delivery of bricks to the site of building? It does not. From this over a month or a year may run in minute detail the method of increasing bicycle-balls, but does it analyse with equal care the method of compiling a balance sheet, the method of circulating decisions, the method of sanctioning expenditure, the method of compiling and using cost statistics and the thousand and one other activities of management?

A Fundamental Distinction

Clearly, of course, it is of very great advantage to any management that there should be a definite science of the processes it controls, that there should be "standard practice instructions," detailing exactly how the work should be performed. It is of great value for fixing scientific wages, for conducting scientific planning and costing, for selecting personnel scientifically, and for designing a scientific grouping of activities in the form of an organisation. But it is fundamental to draw a distinction between operative science (which management, of course, uses) and managerial science, where management itself is the operative. We need standard methods of control as well as standard methods of operation. If we need "standard practice instructions" for bricklaying and shovelling, do we not also need them for costing, planning, transportation, selling, employment work, financial work, and for co-ordination?

Relative Profit Possibilities

Consider, for a moment, the relative potentialities of scientific operation and scientific management. Some fifty workers maybe have been taught to carry out their particular process according to a

... have been increased by 50 per cent without involving additional fatigue. The profit derived from this over a month or a year may run into three figures.. Turn now to a process of management. Hitherto, we may imagine, there has been no standard method for the sanction and paying out of expenditure. The matter is analysed and a definite standard procedure drawn up whereby every item of expense is controlled. The profit from this may run into four figures in half the time it takes the profit on the 50 per cent increased output to run into three.

Some Pertinent Queries

Consider, again, the dependence of operative efficiency upon managerial efficiency. A science of packing boxes may have been formulated by which two boxes can be packed in the time of one. But what is the benefit, if the planning of work is so unscientific that there are delays in the delivery of boxes to the packers? What is the benefit, if the costing system is so haphazard that the stated cost is in reality far short of the real cost? What is the benefit, if the organisation is so ill-defined that no managerial officer knows for what exact province he is administratively and financially responsible? What is the benefit, if the management persists in leaving everything to the foremen?

I return, then, to my main contention—that the "science of management" means the scientific method of carrying out the task of direction and control, just as much as it means the elaboration of a science for the operative work which it is its duty to direct and control. The true science of management is the science of managing, the codified knowledge upon how to manage.

Can standard methods be devised for the management of such work? Mr. Sheldon, an acknowledged authority on scientific management, believes that they are badly needed. He points out that most of the administrative processes of management are repetitive in their nature, and do not offer problems which demand initiative and judgment in their solution. Very profitable results, he suggests, would follow the adoption of standard practice in such managerial work, and he indicates the methods by which standard practice in such work could be constructed.

ONE of the most prominent features of "Scientific Management" is that study of the details of operative work, by means of which a "standard task" can be determined. The standard task is a piece of work performed according to standard methods, under standard conditions, in a standard time. The standard is arrived at after the most exhaustive study of motions, conditions, fatigue, and times. This work is, indeed, the detailed application of that first new duty which Taylor insisted was "up to the management"—to develop a science for each element of a man's work.

It is to be noted, however, that, though it is the duty of the management to elaborate the science, the science itself applies to the particular operation analysed, and only indirectly concerns the management. In other words, the result is a "science of shovelling," or a "science of bricklaying," or a "science of loading pig-iron" (to take classic examples); it is not directly any part of a "science of management." By studying a "standard practice instruction" for bricklaying, for example, one may well learn how most effectively to lay bricks, but one would not necessarily learn from that how to manage a group of men engaged in bricklaying. One might become a scientific bricklayer, but one would not necessarily become a scientific manager.

What Management Science Means

This point may appear somewhat

academic and superfluous; but I suggest that it is of primary importance. There is much talk nowadays of "Scientific Management," the "Science of Management," and "Science in Management." Much of the discussion centres around time-study and the analytical work which leads up to the standard task. But this is only one side of "Scientific Management." This is the side which is engaged in elaborating sciences for various operative processes. The other side is that which elaborates a science for management itself. The "Science of Management" is not the science of bricklaying or of covering chocolates; it is rather the science by which the management of those processes is to be conducted. Broadly, then, "Scientific Management" means that the management should, firstly, formulate a science for each operative task; secondly, that it should formulate a science for its own task of management; and, thirdly, that it should base its science of management on the standards determined for operative work. If the phrase "The Science of Management" means anything, it surely means the science of conducting management, the scientific methods of carrying out the task of direction and control.

Standardising Management

I am inclined to make a good deal of this point. One of the possible complaints of Labour against "Scientific Management" is that whilst insisting that the workers shall operate scientifically, it

management is performed, its primary elements, and then re it into a new set of standard published in the form of Standard Instructions. There is nothing revolutionary in this. Almost every large business has its standing instructions for the guidance of its management. The suggestion here is that these should be made more comprehensive and more truly scientific. It is an attempt to determine the best method of carrying out a piece of managerial work.

Broadly, then, such standardisation would take the form of drawing up definite procedures by which work was to be conducted. It is just as possible to lay down a procedure for engaging a new employee or for drawing up a "Planning-bill" as it is for making a tin box or a screw-driver. It is just as possible to waste time and effort in doing the wrong thing or wondering what should be done next whether one is buying raw material or laying a brick. Of course, if each managerial officer were a lonely entity, operating entirely by himself, the need for this would not be so strong. But, if one takes the trouble to analyse one's work, one soon finds that practically everything one does stands related to what someone else has already done or is going to do. For instance, in engaging an employee, the employment officer is presumably operating on the request of someone that he shall provide the new employee. In the process of engagement, again, several persons will be affected, in addition to the employment officer—the record clerk, the medical officer, the time-keeping officer, the gate-keeper, and the foreman under whom the new employee is to work.

or, in the terms used hitherto, is one item in a long procedure. The larger the business and the more complicated and responsible the work, the more intricate is the procedure. Clearly, if each officer is to perform what is required of him and—of great importance—is to do it at the right time, it is essential that it should be known to all concerned exactly what he is to do and when he is to do it. It is of no avail for an officer to spend £500 and apply for its sanction afterwards. He must know whose sanction he must obtain, and at what stage he must obtain it. In other words, he must know the procedure for making expenditures. The same applies throughout all managerial work, whether it be buying materials, designing machines, conducting research, engaging employees, calculating and presenting costs, planning the volume of work, or exercising discipline in workrooms. In every case, there should be a definite procedure to be followed, carefully planned, and widely published.

We should note, moreover, the double sense of these procedures, in that a definite procedure lays down, firstly, the method to be adopted and, secondly, the duties of individuals in the course of carrying out that method. Clearly, if we draw up a comprehensive statement as to the method for transporting materials, let us say, from a warehouse to a workroom (covering the various checks which have to be taken; the receipts to be given, etc., etc.), we have automatically stated also what is the duty of the warehouseman of the traffic dept., of the departmental storekeeper, of the statistical staff, of the purchasing dept., etc., etc., in this respect. One can look at a procedure, in fact, in two ways—either as a statement of method, or as

however, as to how far the management can be analysed and standardised in the same way as operative work. Can one have standard practice instructions for management as for operatives? Can one define managerial duties and responsibilities with an accuracy comparable to the definition of a machine operator's duties? Can one legislate for the layout of managerial offices as for the layout of a workroom? Can one lay down the procedure for presenting statistics as for handling boxes?

To advance such a proposition for any and every field of management would obviously be absurd. We have to remember that within the general term "management" many various activities are included. It is necessary in this connection (as in many another) to emphasise those two major elements to which Mr. Hamilton Church (in *The Science and Practice of Management*) draws attention—the "determinative" element, which settles policy, and the "administrative" element, which carries out the policy, as determined. The determinative element cannot as yet be reduced to "a body of principles, or even of working rules." It is not susceptible to any, even generalised, standardisation. Wherever policy has to be determined, we must for the present rely mainly on natural genius and individual judgment. The administrative element is, however, of a totally different genus. Its sphere is executive. It is to that sphere only that the following remarks can apply.

Mechanical Aids to Management

Management, in that sense, is far more a matter of routine than we perhaps realise. That is to say, it is possible to standardise more of it than is generally imagined. I use the word "routine"

it is of little significance. If a dozen clerks on routine work cease work. Can one have standard practice instructions for management as for operatives? Can one define managerial duties and responsibilities with an accuracy comparable to the definition of a machine operator's duties? Can one legislate for the layout of managerial offices as for the layout of a workroom? Can one lay down the procedure for presenting statistics as for handling boxes? suddenly stops. The difference is that the one can be easily remedied where the other cannot. Moreover, the reducing of work to a routine is the path of progress. If we can reduce to a mere matter of routine a piece of work which previously engaged our serious attention whenever it had to be done, a step forward has been taken. In manual work, the volume of routine was vastly increased by mechanical aids. By analogy, it may be worth while considering how far managerial work can be reduced to a routine by similar means—not only in the sense of mechanical aids in the form of office appliances, but also, in the more remote sense, in the form of diagrams, charts, organisation charts, planning boards, forms of one kind or another, work manuals, etc. These are some of the mechanical aids to management, by means of which much managerial work may perhaps become very largely matters of routine.

How much, then, of managerial work can be standardised? I suggest that we have far to travel in that direction. We are too apt to regard management as a process which, in all its parts, calls for initiative, judgment, and consultation. That, however, is the "policy" side of management. There still remains the day-to-day business of carrying out repetitive managerial work. It is that part which, I submit, can and should be standardised.

How to Standardise Managerial Work

What exactly do we mean by standardising such work? I think we may take

a statement of duties. Broadly, a procedure is a string of related acts in respect of one particular activity.

The "Red Tape" Objection Answered

The cry of the average man in the face of such a proposition is normally one of "red tape." There is, however, a considerable difference between being methodical and being a "red tape" fiend. After all, "red tape" is either method over-elaborated or a pointless method. It would be "red tape," for instance, if a procedure laid down exactly what a storekeeper were to do with his pen, and where he was to keep spare pen-nibs. That would be over-elaboration. It would be "red tape," again, if a procedure laid down that, before an officer spent five shillings, he must fill in certain forms and obtain certain authorities. That would be a pointless and bad procedure. But if a procedure lays down what steps are to be taken by the various people concerned in the course of delivering materials from warehouse to workroom, and the procedure is the most economical that can be devised, in view of the various persons interested, a sane and useful piece of managerial work has been achieved.

When Initiative is a Nuisance

In this, moreover, there is not necessarily any restriction of enterprise or initiative. Initiative is one of those virtues which becomes a vice when applied in the wrong place. The place for initiative is certainly not in the course of a complicated procedure. If one draws up a procedure whereby employees are to be engaged through an employment dept., the initiative of a foreman who engages an employee on his own is hardly likely to be welcome. The scope for initiative is in suggesting improvements in procedures, and in the determination of policy. The man who displays initiative

by doing a piece of work differently every time is nothing short of a nuisance. It is exactly the same as in operative work. The workman who mixes ingredients in different proportions because he thinks the result will be better is displaying initiative, but is acting in a manner deleterious to the interests of the business. But if he puts his suggestion forward, and, as a result, the standard mixture is altered, his initiative deserves every credit. Initiative requires limitation as regards its sphere.

Advantages of Standard Management Methods

If, then, the regulation of managerial work by definite standard procedures is not "red tape," and does not prevent the exercise of initiative within its proper sphere, what are the advantages? These must be briefly and concisely stated. Firstly, I would suggest that the proper co-ordination of work is well nigh impossible without them. Unless one knows the standard method by which every managerial activity in the concern operates, how can one fully and efficiently exercise control? Secondly, standard management methods facilitate delegation. Clearly, if one instructs an officer to carry out a piece of work, if he be wise, he will ask how to do it, whom to notify, what sanction to obtain, where figures are to be obtained, etc. If you can point to a definite procedure for the job, you can be tolerably certain that not only will it be done without further reference to yourself, but also that it will be done in the way that experience and research have proved to be the best. Thirdly, standard methods facilitate training and reduce that normally uncomfortable time which a new officer goes through when he first joins the business. The new officer or trainee does not have to "pick up" his knowledge; he can learn it in half the time by study of procedures. When

a thing can be learnt by study, one may be sure we are getting towards a science. Fourthly, standard methods reduce confusion, prevent overlapping, define responsibilities, and ensure economical working. On this, I am tempted to elaborate, but I think the proposition must be self-evident. Obviously, there can be no chance of waste effort if the application of effort is directed through pre-determined and carefully planned channels. Fifthly, standard methods enable changes to be effected more easily and with a closer appreciation of what a change actually involves. Clearly, if our methods are detailed and standard, it is immediately possible to see what will happen if we change our method. It is not a question of blundering in the dark. Here, of course, one thing is of the greatest importance—that our procedures should be so framed that they can be easily amended. This is purely a question of machinery—of the actual way in which they are printed and published. Lastly, one cannot over-estimate the psychological value of definite standard methods. When a man knows what his own sphere is, what the spheres of other people are, and how his work is to be carried out, there is no room for jealousy, suspicion, or that petty "grabbing" of work which is the bugbear of every balanced organisation. Sometimes it is urged that standard methods destroy the spirit of co-operation. I believe to be fundamentally false. Co-operation involves, as a preliminary, knowledge of what each other's sphere actually is; and, in any event, co-operation is of the spirit, spiritual. Men will not co-operate, neither the presence nor absence of standard methods will make them do so. One may, however, be certain that anything which helps to banish jealousy and suspicion cannot at the same time impede co-operation.

The Sense of Method

These advantages have been more briefly stated than their importance deserves. They are indeed the very basic elements of sound organising. In conclusion, may I say that of all the many qualities required of managerial officers in post-war industry, especially on a large scale, there is none so necessary as a sense of method? Enthusiasm and initiative abound and, in their right spheres, are indispensable; but to preserve a truly balanced organisation, the sense of methodical working is equally indispensable, and would almost appear to be the rarer quality. If management is indeed a science, of which at present we have but a rudimentary conception, the establishment and recording of standard methods of working is the path by which we must progress towards the development of our science.

Important new features of great interest to all concerned with Office and Factory Management and Administration will commence next month.
Don't miss the October issue.

Fallacious Stocktaking in Large Factories

How Profits may be Innocently Overstated

By W. REGINALD BRAY

AS auditors of accounts are not personally responsible for the quantities, particulars, and valuation of stocks, although they may check, as a safeguard, the prices and general arithmetical work entailed therein, it behoves the directors who certify that the stock is "correct," to put into force some system whereby items of "capital expenditure" are excluded.

The inclusion of such "capital" items is quite possible and may be easily done, though quite innocently on the part of the person whose duty it is to take "stock," unless some method of demarcation or identification is carried out.

Apart from the fact that the "stock" and consequently the "profit" is overstated, it is very important that the stocktaker should see that the accounts, to which the items have in the first instance been "passed over" or "debited to," are similarly credited with such stock as remains at the end of the financial year.

For example, certain items looked upon by the factory manager as belonging to "Factory Sundries" may have been debited to "Repairing Sundries" by the counting house, with the result that both the profit and loss charges of these accounts are wrongly stated, although the profit itself is not affected.

This system of ear-marking should therefore avoid—

1. The inclusion of "capital" items.
2. The application of stock to the wrong account, i.e. giving one account the benefit which belongs to another.

Small details of what could happen and do happen will quickly prove how errors can easily be made. As an example, a clock for the factory was purchased and included in "Sundries," but really should have been excluded, having already been capitalised under "Office Furniture and Fittings."

Sacks, tins, boxes, twine, cord, etc., were, it was found, included also under the heading of "Factory Sundries" but all purchases under these heads were dealt with under the title of "Packing" in the head office books.

Various parts of machinery, dynamos, small hand machines had also been included in the stock, but all were ultimately deleted as they were proved to be either in the nature of "Capital" or "Renewals."

Oils of various descriptions and petrol were classified under the heading of "Factory Sundries," whereas it was eventually ascertained that "oil" had been considered as a "repair" in the books of account and "petrol" had been debited to "freight," this error causing three accounts to be wrongly stated.

To remedy such errors, as explained above, it is absolutely necessary for the directors to advise their factory managers as follows—

1. Of the classification under various heads of all items of necessary factory expenditure, these classifications to be identical with the accounts kept at head office.
2. All parts of machinery, etc., should be ear-marked by means of small labels

or discs as to whether they are of a "capital" or "repairing material" nature, etc. Those of a "capital" nature should be sub-classified under the various existing heads of plant, peculiar to the business concerned, e.g. filling, stamping, cutting or printing, etc.

This classification and ear-marking will naturally involve great care and extra work at the outset, but once started it will be of immeasurable benefit at the close of the financial year.

It will then be a very easy matter to

take stock absolutely in unison with the counting house's methods of charging up expenditure.

At the same time an inventory of any particular part of the "Plant" can be ascertained with very little inaccuracy and trouble.

Directors and owners of private businesses should, therefore, if they wish to avoid the possibility of overstating their profits turn their attention to the classification of all "Plant" and "Stock" as outlined above.

Correspondence

A Reader's Simple Filing System

TO THE EDITOR, "BUSINESS ORGANISATION AND MANAGEMENT."

SIR,—With reference to the article by "Vigilans" in your April issue, particularly the last paragraph, I agree that it is questionable whether the extra labour involved in punching every individual letter received and securing it in a binder is really justified as a provision against loss. A systematic and *interested* filing clerk who is "on the job" throughout the day will ensure that very few, if any, papers remain unaccounted for.

In the office with which I am connected a simple, yet very effective, method is used to prevent loss of papers. Vertical files, sufficiently thick to ensure "standing up," are used numerically, a new series commencing each year. Certain files (mostly "subject" files) are used in which the papers are filed continuously, not being transferred yearly. These files are more capacious than the bulk of the files kept, their covers are made of substantial boards, and they are allotted permanently the first few numbers in the cabinet. Numbered guide cards are placed at intervals of ten files, and papers are numbered in the top right-hand corner

with the file number and a sub-number, thus, $\frac{23}{1}$. All documents (including departmental slips) comprising each "story" bear the same file and sub-numbers and are pinned together in date order. Each succeeding "story" bears the following sub-number, thus, $\frac{23}{2}$, $\frac{23}{3}$, and is filed on top. When the papers in a file tend to jump up towards the top an additional file to take the overflow is inserted in front of the original file. The first file is then numbered, say, $\frac{23}{1-28}$, the second one $\frac{23}{29}$. A small book, cut alphabetically, serves as an index to the files, and the issues of papers are recorded in another small book *kept on top of the cabinet*, the entries being very brief (date, file, and sub-numbers, and name of person to whom issued) and cancelled upon return of the papers. Each important file is indexed, but as there are not more than a dozen such files very little time is spent in compiling indices.

I apologise for the length of this letter.

Yours faithfully,

L. J. RETALLICK.

39 HOLMWOOD ROAD,
BROOKLYN,
WELLINGTON,
NEW ZEALAND.

25th June, 1923.

Present-Day Accounting

By JOSEPH H. GREENWOOD

An interesting summary of the advantages of the expeditious accountancy practised nowadays in commercial offices as compared with the more leisurely methods of the past. Some useful time and labour-saving hints are given.

PERHAPS the most noticeable feature about business life in these days is the disposition to find a speedy means of arriving at results. In other words the days in which "slow and sure" methods were prevalent and fashionable have gone for ever, and the business or man that is not prepared to move with the times must expect, sooner or later, to occupy a rearward position in the march of the forces of commerce. In account-keeping especially, developments during recent years have been really revolutionary, and men still in the prime of life can remember when transactions were recorded with an amount of detail and ornamentation which to-day would be considered altogether archaic.

American Influence

America is to some extent responsible for the movement towards expeditious book-keeping, that country being the modern home of loose-leaf and card systems, which undoubtedly do away with much labour formerly involved in the writing-up of books of first entry, particularly day-books. It is, perhaps, only fair to say that, while America sets a good example in the matter of brevity in recording transactions, a similar compliment must go elsewhere in the case of financial statistics, which are elaborated often to an unwarrantable degree by business men of the United States.

Time and Labour-Saving Methods

One can still pick up nowadays a text-book of thirty years ago on book-keeping, in which the student is instructed

to make a Waste Book the basis of all his subsequent entries; a Journal also is insisted upon as a necessity, and the consequence is that a sale of goods (following the method advocated) is recorded three times, first in the Waste Book, next in the Journal, finally in the Ledger. By present-day methods the carbon copy (for example) of the typed invoice is used as the basis upon which the Ledger posting is made, and the posting clerk has at his hand all the information he requires when recording the transactions. When a multitude of postings is accounted for day by day some idea may be formed of the vast amount of labour that in consequence is saved by modern book-keeping, as compared with the book-keeping of thirty or forty years ago.

When Brevity is Overdone

The Journal, too, is often dispensed with in these days, and many businesses never keep one, though in more or less complicated systems of accounts, as, for instance, those which deal with businesses having branches, it is necessary for clearness and narration. The explanatory feature of the Journal is that which vitalises the figures, and it may be said that in the desire to reduce work to a minimum there is danger at the present time of trusting to figures too much to explain themselves. As a solicitor once told an accountant, the narration column of a balance sheet does not get the attention it deserves, i.e. a little description of what the figures imply would make the document more valuable to the

average person, who after all is not a professional accountant.

The Treatment of Ledger Balances

Undoubtedly there is sometimes little labouring after clearness, as regards explanation of figures, but there is nothing to be gained by adopting practices which have no sanction but that of usage, for arriving at results which can be just as usefully and accurately obtained by a more expeditious and reasonable method. Some old-fashioned businesses still insist upon having their ledger accounts opened in a "copper plate" handwriting, and upon having all closing balances in black ink, and all opening balances in red ink. Such methods may be entitled to the respect due to antiquity, but they are totally unsuited to the rush of the twentieth century, and must give place eventually to those more in keeping with common sense and present-day demands. For instance, in this matter of ledger balances many somewhat progressive firms adhere to a system which involves a serious waste of time. They follow the plan (knowingly or ignorantly) of bringing down balances at closing periods, from the sides of the accounts which are quite devoid of entries, instead of simply ruling a single line on the side requiring it, totalling the figures, and proceeding to record transactions, just as if the formal words "To Balance," or "By Balance," preceded them. Anyone who has laboriously gone through a ledger of a thousand pages or so, extracting balances, will understand the amount of work which this ruling and balancing in red and black ink means, and for which there is no reasonable justification except the questionable one of appearance. In fact, some businesses are so convinced of the uselessness of the old method as compared with the advantages of seeing at a glance how an account stands, that they follow the custom of ruling under the items

settled, whether debits or credits—anything not ruled off, is, therefore, outstanding.

Total-Posting

Another labour-saving and time-saving device is that of total-posting. The custom of monthly settlement of accounts prevails so extensively that it is frequently possible to post the total of purchases for the month to the credit of an account, instead of posting separately each invoice. The invoices are detailed in the inner column of the Bought Day Book and the total thrown out and posted. There is thus only need for writing the name once and for posting once, instead of, perhaps, several entries of both name and amount.

Every business, of course, has to study its own peculiarities in the matter of account-keeping, but it is surprising sometimes what a little re-arrangement of system will effect in the direction of reducing labour. The existence of too many nominal accounts, for example, leads to waste of time, especially at the periodical closing of the books.

The Self-Balancing Principle

Perhaps one of the best methods of securing a speedy balance when many ledgers are in use, is that furnished by the self-balancing principle. The ledger at fault is at once detected, and all energies can be concentrated upon it. If more than one refuses to balance it is frequently as easy to right two as one, for in practice it is a common mistake to post an item to one ledger and post in summary to another; the error in one ledger when found, accounts consequently for that in the other ledger. In general, it may be said that clearness should never be sacrificed for the sake of brevity. When paying rent, rates, taxes, etc., for instance, it is always advisable to state in the ledger to what date the payment settles,

Who's Who in Business

Sir Alfred Mond

By ARTHUR S. WADE

An acute, but by no means unsympathetic, characterisation of one of the most striking personalities of the day. Alike as scientist, business man, and politician, Sir Alfred Mond has won a position of notable distinction. His recent destructive analysis of Socialism in the House of Commons made a tremendous impression.

SIR ALFRED MOND is one of the men of our generation who inspire very strong reactions in other men: he has, in other words, the immense advantage of not being commonplace. As a business man, his outlook is as wide as it is practical, and his chief quality in that sphere is sagacity, a quality that is leagues removed from that simple acuteness which passes so often for the business sense. Business men have always admired—even envied, one would think—the masterly power Sir Alfred discloses when delivering a speech upon industrial and commercial conditions. The whole world is then his province. The material resources of the earth, the faculties and the skill men need for profiting by them, and what are the helps or the hindrances to the free circulation of the good things obtained from the universal mother, are familiar focuses for the play of his lambent intelligence. His mind moves in and out among them like a great arc lamp revealing the hidden mysteries and separating and combining the multifarious functions of the commercial machine. During the great Free Trade controversy this extraordinary clarity and breadth of financial and commercial vision made him an indisputable authority. Those who were on his side idolised him; those who disagreed with his theories feared, and, in some cases, hated him. In either case he provoked strong feelings.

It is the same to-day. As the opponent of Socialism he has recently roused the most vigorous sentiments of enmity and friendship. After he had delivered his onslaught on Socialism in the House of Commons a Labour member burst out: "That man is all brains and stomach; he has no soul." And on the other side capitalists felt that Sir Alfred had done their cause a service no other man in the House could have accomplished so well. His outlook, his creed, his temperament, make those clean divisions between those who come into contact with him; the one impossible thing is to be lukewarm about him. Outside the intellectual realm, Sir Alfred is a sociable being. No man can talk more fluently or with more gusto about the little things of life. He tells good stories and is never at a loss for a topic.

His hobbies and his clubs reveal this side of his nature. Both are numerous.

Sir Alfred has such wide interests that one is bound to leave out a lot in any short sketch of him. At different stages he has been a student of science, the law, finance, politics, internationalism, transport, and he has devoted much time to aesthetic questions and to means of social amelioration. Perhaps the two dominant interests of his life are politics and what may be called scientific industry. On the latter subject he recently gave a revealing speech at Swansea University

College. Its keynote was the sentences: "If we are to regain in the financial field what we lost in the war it can only be by increasing the whole production of the country. We have to increase the production of real commodities in relation to man power. We have to adopt better methods of manufacture, to produce at lower cost and to find new means of enriching the world. The application of scientific invention and scientific method to new processes and new products constitutes the avenue of escape from our present economic dilemma." One can see the truth of all this, and still the whole of the speech reveals one of Sir Alfred's deficiencies for appealing to the ordinary human temperament. Its intensely practical gospel is not softened

by any touch of that element which makes all men kin. It is logically, economically, philosophically exact, as was, for instance, the Japanese Government's home economy campaign last year. But the Japanese people grew depressed under the campaign and made the plans go astray. Logic has that effect upon men. "Ardently, I hope," wrote Disraeli, "that the necessary changes in human existence may be effected by the voice of philosophy

alone; but I tremble, and I am silent. There is no bigotry so terrible as the bigotry of a country that flatters itself that it is philosophical." Man cannot live by philosophy alone.

It is here that Sir Alfred's true worth to his generation becomes clear. He is

a good guide on matters of head and hand, but not on matters of the deeper feelings. His intense practicality overshadows other qualities in his personality; sometimes so effectively does it do this as apparently to obliterate them. Take his management of the housing question when he was at the Ministry of Health in the late stages of the Coalition Government. Probably he had then the most thankless task to perform ever turned over to a Minister of the Crown. The



Photo

Press Portrait Bureau

SIR A. MOND

great Government Housing Scheme was proving to be economically wild. Diminished enthusiasm of those who had pledged themselves to it, dear markets for materials, a public campaign for cheeseparing, and harassed and overburdened taxpayers, were all factors against the scheme. The public impression was that Sir Alfred was chosen to clear up the mess and get the Government out of a tight corner. He would have

consulted the interests of his own popularity to much better effect if he had never accepted the task. Perhaps on the principle of looking to the benefit of the race and letting the individual look after himself the work he did at the Ministry of Health will prove to be great work. It undoubtedly brought down costs and made future housebuilding on a bigger and cheaper scale realisable; but there can be little doubt, too, that the policy which was officially pursued under him outraged public sentiment. His famous statement in an interview that he thought the newly-married might be happy in one room is one of those romantic truths that are as old as the hills, but one that may not be expressed in the presence of a homeless ex-soldier, who, after fighting for his country, finds that it cannot provide him and his wife with decent shelter.

This inability or unwillingness to make concessions to sentiment obscured the other excellent work which Sir Alfred did at the Ministry, even his notable help to housing itself. It left a verdict to history which might have been won on the spot by a man who understood the

heart as well as Sir Alfred understood the head. And yet it would be unfair to conclude that Sir Alfred ignores the thing we call the human element. He has recently turned his searchlight upon himself for the benefit of a London editor. "The meaning of life," he wrote, "our relation to the universe, the functions of beauty and art in making life better worth living, have naturally occupied my mind as they have those of all others who have ever thought about the philosophic meaning of existence. Human happiness and economic prosperity are, fortunately, not transmutable terms, but that economic prosperity is the basis and an essential of a great deal of human happiness and of the furthering of all the Muses cannot, I think, be rightly denied. As you seem to take an interest in my psychology, might I define it for you as that of a romantic idealist hampered by an intensely practical and logical mind, who seeks real solutions and cannot be satisfied with sentimental *clichés*." Rarely may a man be permitted to picture himself; but do we note any accent of the familiar self-delusion in these clear words?

Postal Cash on Delivery

Successful Canadian Service

WHILST the British Postmaster-General finds it impossible to extend the cash-on-delivery service in this country, there is growing appreciation among Canadian business houses of its value.

This service, which applies only to articles mailed at money order post offices (though delivery may be effected at any post office or rural route in the Dominion), provides for the collection from the addressees of charges up to £20, and the remittance of such charges to the sender. Collection fees are as follows: Sums up to £10, approximately 7½d.; above £10 and up to £20, approximately 1s. 3d. This fee, paid by postage stamps affixed

to the article, also covers insurance or registration.

Particulars as to the name and address, charges, etc., are filled in by the sender on a tag attached to the article. Cash when collected is sent by money order issued by the office of delivery.

The regulations do not permit of any examination of goods prior to delivery, nor can goods be sent C.O.D. which have not been ordered by the addressee. This prevents speculative business and protects the legitimate trade and the public generally.

Throughout Canada these facilities are greatly appreciated.

Mail-Order Selling by Circular Letter

BY MAX RITTENBERG

Wherever it is possible to segregate one's prospects into a "flock," then the right medium is Direct advertising—direct through the post to the individual men or women to whom one's goods are likely to appeal.

WITH articles that might appeal to almost anybody, press advertisements are the right method of selling-by-mail. Advertisements in newspapers of large circulation and in popular magazines will probably prove the cheapest media of any.

But if you know the names and addresses of your likely prospects; if you are satisfied that these people, or a reasonable proportion of them, will need your goods; then go after them direct—not once only, but several times within a year.

Here is an actual instance of comparative results from a campaign tried simultaneously in the press and also by mailing shot, at printed-matter rate, to a list of names taken from the *Telephone Directory*—

	<i>Cost-per-Order</i>
	<i>s. d.</i>
London newspaper of largest circulation	5 3
Another London newspaper	7 4
" " " " " "	8 6
" " " " " "	9 —
" " " " " "	10 3
" " " " " "	12 8
" " " " " "	18 10
A large provincial newspaper	22 9
Mailing shot	5 10

A second insertion of the same offer in the first two London newspapers gave returns at a definitely higher cost-per-order; but an extension of the mailing shot throughout the provincial *Telephone Directories* continued to bring in results at about the same figure of 5s. 10d., and a further shot to the same list of names six months later (previous purchasers, of course, being eliminated from the list) continued to make fresh customers at roughly the same cost.

In preparing a mailing list, it is not usually advisable to card-index the names. They are only prospects. It is sufficient to tick the names in a mailing list or directory, in such a way as to show clearly for future reference when and in what form these people were approached.

* Only in the case of a small and highly select list of names, likely to bring in a large percentage of orders, is it advisable to start by card-indexing.

Of course, when a prospect actually becomes a customer, then he is carded—and carded very carefully—because that card is going to form *his business history* in so far as your own firm is concerned. In after years it may be highly valuable to know when he made his first purchase ; what form of advertising induced him to “enter the fold” ; what are his special preferences or peculiarities ; and any details about the man which would be of service when writing him a *special letter*, typed individually and addressed to that man alone.

Having decided on one's list of prospects, and feeling sure that they are a suitable selling field, the next step is to determine the nature of the campaign on them. This may take one of three general forms—

1. A specific campaign to sell one article, comprising a definite number of letters, increasing in intensity, sent out at fixed intervals.
2. A specific campaign to sell one of several articles, comprising a definite number of letters, increasing in intensity, sent out at fixed intervals.

3. *A generalised campaign to sell something, by making offers of goods as and when these arise in the ordinary course of business, at intervals not pre-determined.*

The Specific Campaign on One Article

A very good instance of this can be quoted from the experience of a motor-car firm. Faced by diminishing sales, they decided it was vital to secure a larger number of dealer-agents, and so broaden distribution.

Having selected a list of suitable prospective agents, a very carefully prepared campaign was brought to bear on them, comprising a series of six letters, each with special printed enclosures—

Letter 1. From the Managing Director. Gist of the letter: Success in business depends a great deal on making friends with the right people. We believe that we not only manufacture a first-grade car at a moderate figure, but are good people to have as business friends. Herewith a booklet with some pictures of ourselves and our organisation. When can we meet and talk over the question of an agency for our car?

Letter 2. From the Sales Manager. Gist of letter: Looking over letter sent to you by our Chief a fortnight ago, we feel he did not make sufficiently clear the selling possibilities of our car. Like to show you figures of sales since we started the business. You will agree this record proves the growing popularity of our car, and the possibilities of future sales. Read what the car-owners themselves say in the leaflet enclosed.

Letter 3. From the Works Manager. Gist of letter: The technical points about the car. Highly skilled bunch of workmen who have been with us for many years, and take a pride in their workmanship. Instances of how careful we are in our inspection tests. Booklet explaining technicalities.

Letter 4. From a Showroom Demonstrator. Gist of letter: How the finish of the car and its many conveniences appeal to the men and women who come to the showrooms. The special points of finish we can offer for customers' selection. Folder illustrating. How we actually clinch sales.

Letter 5. From the Sales Manager. Gist of letter: Profit in the agency.

Letter 6. From the Managing Director. Final shot summing up the strongest selling points of the car, and urging immediate decision.

Specific Campaign to Sell One of Several Articles

There might, for instance, be four letters in such a campaign, sent out at fixed intervals—either letters alone or letters with suitable enclosures—

Letter 1. Would be a plain straightforward offer of one line of goods.

Letter 2. Ten days later, would be a "chaser" on the same offer. (By "chaser" is meant a short letter recalling the previous letter to the prospect's mind, repeating the main point of the first letter in brief, and suggesting action on it.)

Letter 3. Six weeks later, would be a "grip" letter, offering several types of models of goods, and trying to find out from the prospect in which kind he is really interested. That is, "coming to grips with him."

Letter 4. Two months later, would be a "dynamite" letter, making him some *very special offer*, something which ought to stir him even if the other letters failed to do so—an offer so attractive and so strong that if he ignored it completely, one could take it that the man was practically "hopeless."

This form of campaign is applicable to a wide range of goods and services—but is particularly suited to a firm marketing a specialty with variations of models and prices.

General Campaign to Sell Something

This scarcely needs explanation. As and when attractive lines of goods come into the trader's hands, he sends out letters or folders offering them to his list of prospects.

There are no fixed and pre-determined dates for sending out these offers. Nor is any limit placed beforehand on the number of letters.

As to which of the above three methods is the right one for a particular firm, this will clearly depend on the nature of the articles which the firm have to offer. All of these methods have been used, and used successfully, by experienced mail-order houses selling direct to the public; and by manufacturing or wholesale firms selling to the retailer.

But whichever be the method to be tried

there is one excellent fisherman's axiom which is thoroughly applicable to the mail-order game—

"If the fish won't bite, try a different bait. If they won't bite then, try a different fishing-hole."

In other words, the non-success of a mailing shot may either be due to the offer being unattractive to the man addressed, which may be remedied by offering him some other bait—or it may be due to having addressed the wrong man altogether! And, as soon as one becomes convinced of the latter, naturally one should change one's fishing-hole—i.e. go out to a different list of prospects.

The Cost of Getting Mail-Order Enquiries and Orders

The vital thing to the advertiser is not the money spent on the newspaper space he takes, or the printing and postage of the circular letter, but the actual *cost-per-enquiry* or *cost-per-order* resulting from the campaign.

Cost-per-order is the acid test. This is the basis on which any campaign should be judged. And one of the first questions which comes into the mind of a budding mail-order advertiser is—"What results am I likely to get?"

Where so much depends on the nature of the article advertised, it is, of course, impossible to generalise—but it may perhaps be suggestive if one gives instances of very varying results which

were regarded as satisfactory by the advertisers concerned—

1. Circular letter from an outdoor publicity firm to a list of 1,000 prospects. Cost of shot, about £12. Order—only one, or a trifling percentage of .1 per cent. But this order was for over £1,000 in value!

2. Circular letter from a specialty food firm to a list of 30,000 doctors. Cost about £240. Number of replies about 300, or 1 per cent. Cost per order, about 16s.

3. Circular and folder sent out by a mail-order firm to 150,000 names chosen from a telephone directory. Cost, about £1,200. Number of orders, over 2,400, or 1.6 per cent. Cost per order, about 10s.

4. Newspaper advertisements of small specialty selling at 1s. 2d. Cost of space, £24. Number of orders, about 3,200. Cost per order, about

1½d., or about 12½ per cent on the price of the goods.

5. Newspaper advertisements of six-penny samples of shaving cream. Cost per order, about 4s.; or 800 per cent on the price of the article.

6. Newspaper advertisements of garden produce. Cost of advertisements, £1,000. Number of enquiries, about 10,000. Cost per enquiry, about 2s.

All the above were satisfactory to the respective advertisers, although the percentages differ very widely. On a *specific* article and campaign, an experienced advertising man should be able to give



MR. MAX RITTENBERG

a fair estimate of results likely to accrue.

The advertiser should start off with a *target* in mind—the kind of results which will be profitable in his own particular case. Here is a specific instance of the way in which a firm selling an expensive set of books by mail, reckoned out what they would need to achieve in the way of results in order to make the proposition profitable.

The set of books was to be sold at 5 gns., the actual cost being about £2 2s. od. If the selling expense were not more than 33½ per cent on selling price, or £1 15s. od., there would be a gross profit left of £1 10s. od. per set of books, to take charge of all the usual office overhead and leave a certain net profit. If the selling expenses were to run above 33½ per cent, there would probably be no net profit worth mentioning in the business—and therefore that 33½ per cent was taken as the absolute maximum of expense allowable in the campaign.

The first thing to determine is how many letters or other forms of circular matter will be necessary to achieve this result. It may be arrived at by one letter with printed enclosures; or two shots may be necessary; or three shots. The number of shots necessary cannot be determined in advance. The prudent thing to do is to try out the campaign by a specimen mailing of (say) 5,000, in order to determine how many letters will be necessary or will be most profitable—and when this is known from the test, to go out on a large scale on the plan indicated by results.

The cost of three specimen shots, and the number of orders which will have to be obtained in order to achieve certain percentage sales costs, are figured out below—

1st Specimen Shot of 5,000 Circular Letters and Enclosures.

Cost, complete—£55.	
Number of Orders necessary to make cost per order	33½%—31
" " " " " "	25%—42
" " " " " "	20%—52

2nd Specimen Follow-up Shot, about 5,000 Circular Letters and Enclosures.

Cost, complete—£45	
Number of Orders from both shots necessary to make total cost per order	33½%—57
" " " " " "	25%—76
" " " " " "	20%—95

3rd Specimen Follow-up Shot, about 5,000 Folders and Order Forms.

Cost, complete—£60.	
Number of Orders from the three shots necessary to make total cost per order	33½%—80
" " " " " "	25%—107
" " " " " "	20%—133

It will be seen from the above that anything over thirty orders resulting from the first letter (or a percentage of .6 per cent of orders) would be profitable. If that .6 per cent of orders were obtained on the first letter, it would be a sufficiently good result to enable one to dispense with follow-ups. If less than thirty orders were obtained on the first letter, one would try out the second letter. And then, if a total of fifty-seven orders resulted from the first and second letters together, that would be sufficiently good to justify cutting out the third letter.

But if the figure for the two together were below fifty-seven orders, one would try out the third letter. And the total number of orders from the three shots would have to come to at least eighty orders (or .53 per cent on 15,000) to make the proposition profitable.

In actual practice, whatever the result from the first test letter—good or bad—one would probably go on with all three tests, in order to satisfy oneself definitely as to whether the most profitable procedure on a large scale would be one letter, two letters, or three letters. Supposing that the whole of the three failed to achieve a minimum of 80 orders, then one would have to follow the axiom laid down before: "*If the fish won't bite, try a different bait. If they won't bite then, try a different fishing-hole!*"

The above applies to cases where goods are sold *once only*, and repeat orders are not to be looked for. The first sale must pay for itself, or the business will lose. And that is typical of the selling

of specialty articles or high-priced goods which will last for years.

The case is altogether different where it is a question of *opening up a connection*, either with the actual consumer or with the middleman. Then it is usually regarded as profitable to be able to open an account without actually losing money—or even to pay something for the new account.

For instance, most manufacturers or wholesalers would be glad to secure a new customer at a cost of £1. Getting that customer by the efforts of a traveller might run to considerably higher. Or, a retailer might be prepared to pay 5s. apiece for new customers secured on a local postal campaign. Or, a firm interested in selling a medical specialty to doctors, with the idea that the doctor would recommend it to his patients, would probably be glad to pay a sovereign for every doctor who took up the specialty.

One cannot generalise—so much de-

pends on the individual case. But it can be taken as axiomatic that in the selling of staple goods, one cannot expect to make a profit on the initial order. It is only in the case of specialties carrying a big rate of profit that this can be achieved, either by direct or by press advertising.

One of the points to be carefully noted in such selling campaigns is that the first initial test on a few thousand names is likely to be considerably more expensive than a "big shot" sent out to a large list of names. And in making test mailings, the amount to be charged up against the test should, in general principles, be not the *actual cost*, but what the cost would be if the letters and enclosures were printed off in large quantity.

The initial cost of getting good illustrations and blocks, and the elaborate work of preparing selling letters and printed folders and order forms, should be reckoned as spread over the entire "big shot."



Becos Traders in Russia

THE visit to Russia of leading members of Becos Traders, Ltd., marks an important development in Anglo-Russian trade relations. Considerable light on the growing importance of these relations was shed in the valuable article which we published last month from the pen of Mr. E. F. Wise, C.B., the British director of Centrosojus, Ltd. The Becos Traders are an association of 80 important British engineering firms, and before 1917 they had an extensive chain of branches throughout Russia. Their chairman, Mr. F. L. Baldwin, is a cousin of the Prime Minister, and the fact that he heads the mission, which hopes to conclude definite business with the Soviet authorities, shows

that considerable progress has been made in the negotiations which are known to have been proceeding for some time between the Soviet and Becos Traders, Ltd.

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British business men are evidently alive to the great opportunities now offered by Russia for expanding trade, and are determined to profit by them.

of specialty articles or high-priced goods which will last for years.

The case is altogether different where it is a question of *opening up a connection*, either with the actual consumer or with the middleman. Then it is usually regarded as profitable to be able to open an account without actually losing money, or even to pay something for the new account.

For instance, most manufacturers or wholesalers would be glad to secure a new customer at a cost of £1. Getting that customer by the efforts of a traveller might run to considerably higher. Or, a retailer might be prepared to pay 5s. apiece for new customers secured on a local postal campaign. Or, a firm interested in selling a medical specialty to doctors, with the idea that the doctor would recommend it to his patients, would probably be glad to pay a sovereign for every doctor who took up the specialty.

One cannot generalise—so much de-

pends on the individual case. But it can be taken as axiomatic that in the selling of staple goods, one cannot expect to make a profit on the initial order. It is only in the case of specialties carrying a big rate of profit that this can be achieved, either by direct or by press advertising.

One of the points to be carefully noted in such selling campaigns is that the first initial test on a few thousand names is likely to be considerably more expensive than a "big shot" sent out to a large list of names. And in making test mailings, the amount to be charged up against the test should, in general principles, be not the *actual cost*, but what the cost would be if the letters and enclosures were printed off in large quantity.

The initial cost of getting good illustrations and blocks, and the elaborate work of preparing selling letters and printed folders and order forms, should be reckoned as spread over the entire "big shot."



Becos Traders in Russia

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No.....

GOODS RECEIVED WITHOUT ADVICE NOTE

Date.....19..

To BUYING DEPARTMENT.

The following goods have been received

From.....

Package.	Quantity.	Description.	Remarks.
Signed.....			Checker

FIG. 1

a requisition for goods upon an outside supplier a copy is retained in the office for reference, whilst a further copy, known as the "Works Copy," is held against receipt of advice note. When this comes to hand, it is attached to the "Works Copy" and sent to the Receiving Store, whilst when goods are received without previous advice the storekeeper's form is attached to the "Works Copy" and returned to the Receiving Store.

This "Works Copy" gives the

storekeeper the necessary information regarding quantity, destination, etc., as the illustration will show. The "Works Copy" is a most important document, for it is an exact duplicate of the original requisition, giving full terms of the order, and only omitting such non-essential matters (from the stores standpoint) as prices.

Inspection of Supplies

All goods must be inspected whilst in the Receiving Store, and nothing should be distributed until the inspector's signature has been obtained. The reverse side of the "Works Copy" is used by the inspectors for summarised reports, but should the parts be rejected or referred back a special detailed report is necessary. This would be attached to the "Works Copy" and returned to the Buying Department.

Every batch of goods must be labelled when passed by the inspector, and this means that nothing can leave the Receiving Store unless a tally or label is affixed, this being done by the inspector, and not by the storekeeper. The goods, once labelled, are sent to their destination with all possible dispatch. In the case of rejected goods, these are held in the

WORKS COPY OF OUTSIDE REQUISITION

Reference..... No.....

Supplier..... Date.....

Address.....

Delivery particulars

Quantity.	Drawing, Catalogue, or Pattern No.	NAME OF PART.

FRONT]

INSPECTOR'S REPORT

Drawing, Catalog., or Pattern No.	Quantity Received.	Quantity Passed.	Quantity Rejected.	Quantity to be Rectified.	Date.	Inspector's Signature.	Goods sent to Dept.	Storekeeper's Signature.

BACK]

FIG. 2

store pending instructions from the Buying Department.

No.

DETAILED INSPECTOR'S REPORT ON
GOODS RECEIVED FROM OUTSIDE

Reqn. No. Drawing No. Name of Part.
 No. Recd. No. Passed. No. to be
 rectified. No. Rejected. Awaiting
 Decision. Date

INSPECTOR'S REPORT

Signed
Inspector

FIG. 3

The "Goods Received List"

It is obvious that all goods received cannot receive immediate attention at the hands of the inspector, and so it becomes necessary for the clerk in the Receiving Store to issue each day a "Goods Received List," this being made out in triplicate. One copy is sent to the Buying Department, one to the Progress Office, and the third retained in the store. This list is compiled as the goods are received, and sent to the interested

departments as early as possible the next morning. It is an important document, for it enables the buying clerks to post their records, and gives the progress man prompt information of the receipt of goods in which he is interested, thus enabling him to press the inspector for such parts as are of more than usual urgency. The return of the "Works Copy" of the requisition, to which is attached the inspector's report, is used by the purchasing clerk as a confirmation of the previous information derived from the daily "Goods Received List," and enables him to pass the invoice.

The receiving storekeeper is responsible for the return of all empties to the supplier, as well as the return of rejected goods, this business not usually being handled by the Dispatch Department. In this case he of course acts upon instructions received from the Buying Department, but usually he is expected to use his discretion in the matter of transport. He must, at all events, be a very wideawake individual.

It has before been observed that the Receiving Store is in reality a distributing centre, and goods are only held until such time as they have passed the inspector. When this has been accomplished, the goods, duly labelled and accompanied by

DAILY LIST OF GOODS RECEIVED

To { Buying Dept. No.
 { Progress Dept. Date

Package.	Marks.	From Supplier.	Quantity.	Drawing No.	Name of Part.	Remarks.

Signed
Checker

FIG. 4

a delivery note, are sent to the department enumerated on the "Works Copy."

No.....

DELIVERY NOTE

From Stores Receiving Dept. To.....Dept.

Date.....

Please receive the undermentioned parts.

Quantity.	Drawing No.	Name of Part.	For Order No.

Issued by.....Received by.....

FIG. 5

Manufacturing Department Sub-Stores

This may be said to complete the organisation of the Works Store, but before dealing with the commercial side it will perhaps be well to make a few observations concerning the manufacturing department sub-stores, which, although not under the authority of the store controller, are to a very large extent part of the organisation.

Each of the manufacturing departments has its own store, usually under the control of the Progress Department, and it is to this store that the goods are sent when leaving the main store. To take one manufacturing department, say, the A.C. Motor Department, as an example, the store attached to this department receives (a) the standard finished component parts required for assembling, (b) bar material for the making of special or semi-standard parts, (c) special parts (either rough or finished) received from outside suppliers and required for machining or assembling. The latter are received direct from the Receiving Store, in the manner just explained, whilst the other items are received from the stores departments handling these parts.

No goods are received in this department store unless accompanied by a

delivery note, and this is not signed until the quantities enumerated thereon have been checked. The sub-storekeeper has a copy of the specification list, and each item is posted as the goods are received. It is sometimes a lengthy business for each item to be given in detail upon a delivery note, and the trouble may be overcome by the delivery note, bearing the order number and date, simply being endorsed "All parts in accordance with specification list," "All parts except items", "Items 1-20, 30-32," etc. This would mean that the sub-storekeeper would check the goods to the specification list, instead of to the delivery note, but it would, of course, only be practicable in the event of the major portion of the items being cleared.

The sub-storekeeper not only receives goods from the main store, but also receives finished special parts, both from his own and also from other manufacturing departments, these being, of course, duly recorded upon his specification list. In this connection it will be observed that certain items will show double receipts, that is, where the bar material is received from the material store, and later the manufactured article from the department, as in the case of the rotor shaft, etc. The record must show clearly whether it is the raw material or the finished part which has been received, so that no confusion and delay will arise subsequently.

The Commercial Store

It is not the intention of the writer to dwell at length upon the working of the department store only so far as it is associated with the main store, as this has already been dealt with in a previous article. This association having been shown, the procedure governing the Commercial Store may now be considered.

This is an extreme wing of the store organisation, and is associated with the sales side rather than with the works.

Its interests are varied, although concerned with the manufactured article and not with detail, and its functions may be classified as follows—

(1) The storing (or warehousing) of manufactured standard goods pending sale ex stock.

(2) The temporary storing of manufactured special goods pending dispatch or shipping instructions.

(3) The handling of all repair work received from customers; and

(4) Dispatch.

In the factory manufacturing assembled units entirely for stock, the Commercial Store, or warehouse, is designed for the accommodation of definite quantities of each class of apparatus stocked, and the mode of procedure is similar to that used in connection with the Works Store.

STOCK RECORD OF MANUFACTURED PARTS

Catalogue No. Maximum Minimum

Description								Ordered	
Date.	In.	Out.	Stock.	Date.	In.	Out.	Stock.	Date.	Quant.

FIG. 6

The stocks are maintained on a maximum and minimum basis, and the posting shown on cards, which are filed consecutively under catalogue numbers. Orders are received from the Sales Department, the cards adjusted accordingly, and the necessary information passed on to the stock-keeper. This individual supplies the goods, and passes the same on to the Dispatch Department.

When the stocked quantity is down to the minimum figure an order is sent to the Progress Department for further supplies, and copies of this order, in the form of a "Stock Assembly List," are sent

by this department to the manufacturing department concerned and to the Works Stores. When the manufacturing department has completed its work, the goods

To Progress Department No.
 From Commercial Stores Date
 Please order on Factory the undermentioned parts for Stock

Signed.....

FIG. 7

(after inspection) are sent direct to the Commercial Store, accompanied by a delivery note. There the quantities are checked, the goods placed into stock, and the delivery note sent to the stock clerk for the necessary records to be made.

No.
 FACTORY MANUFACTURED PRODUCT
 To Commercial Stores Date
 Please receive the undermentioned parts.

Shop No.	Stores No.	Quantity.	Description.

Signed..... Signed.....
 Inspector Foreman

FIG. 8

It sometimes happens that although a certain standard article is stocked it is not in itself a completed unit, and certain additions are necessary before it can be sent to the customer. A case in point is the travelling pulley block, the lifting portion (already assembled) being stocked, whilst the traveller portion has to be fitted to suit the customer's requirements. Upon receipt of an order for one of these articles, a requisition is sent to the Progress Department to

“supply and fit to one unit (in stock) the necessary parts”—particulars of these parts being given. The Progress Department issues the instructions to the manufacturing department concerned, and the foreman of this department draws the unit from the Commercial Store and the necessary details from the Works Store. When the work is completed the article is sent to the Commercial Store, and from thence to the Dispatch Department.

The composition of the Commercial Store for the temporary storing of manufactured special goods is different to the foregoing, and is somewhat similar to the Receiving Department of the Works Store, except that all receipts are from the factory. To use for the purposes of illustration the A.C. motor built to suit the customer's special requirements, this, when assembled and inspected, is sent to the Testing Department, and having successfully passed the tests, is delivered to the Commercial Store to await dispatch or shipping instructions, accompanied by a shipping note.

No elaborate records are necessary, the store offering but temporary accommodation. The number of the unit is entered, together with the date of receipt, and the shipping note is then sent to the Sales Department. In due course shipping instructions are received, and the unit is passed on to the Dispatch Department.

In some cases the unit forms part of a set which comprises, say, an A.C. motor, controller, and resistance, each of which are manufactured in a different department, and it may be therefore that one of these arrives in the Commercial Store in advance of the others. The parts must all be dispatched to the customer at the same time, and so the first arrival must wait in the store for the others. The storekeeper must know in advance the terms of dispatch, and so, when the order is first placed in the shops, a copy

of this is sent from the Sales Department to the Commercial Store. The storekeeper can thereupon see whether the unit received is liable for dispatch, or whether it must be held pending the arrival of other parts, and if the latter be the case, the shipping note is held until the set is completed, when the whole of the shipping notes comprising the set are sent to the Sales Department.

Units received into the factory for repair or overhauling are in the first instance received in the main Receiving Department, from whence they are sent to the Commercial Store. The question of inspection in the first-named department does not arise here, as obviously the inspection of such parts is carried out in connection with the estimating for the repairs to be effected. The Commercial Store in this instance has a definite repairs section, from which the necessary instructions are issued for the work to be taken in hand.

Treatment of Repair Work

Much depends upon the amount of repair work handled to govern the factory procedure. It may be that there is sufficient of this work to warrant a repair department, and when this is the case the Commercial Store issues all the necessary instructions, sending the goods to the department for repair, and receiving them back when the work is completed. Should there not be a repair department it is usual for the manufacturing department to have a repairs section, to which instructions are sent via the Progress Department. It is not wise for instructions to be received by one foreman from two distinct sources, for trouble is certain to result. It is better, therefore, when repairs are to be effected in a manufacturing department for all instructions to that department to emanate from the Progress Office.

The repairs section in the Commercial

Store is entirely responsible for the estimates and also for the re-delivery of the article to the customer, working of course in close association with the Sales Department. In the factory where it is customary to send out goods on approval such goods must, upon return, be submitted to this department for overhauling before being returned to the stock room.

The Dispatch Department

The final store department is the Dispatch Department, which, as its name implies, is concerned with the

dispatch of goods from the factory. Usually, the packing shop is under the control of this department, and in some cases the box or case making shop also. Instructions relating to dispatch are received from the Commercial Store in the form of a dispatch note, this giving all necessary particulars. The dispatch clerk compiles a Daily Dispatch List, giving a brief record of all goods leaving the factory, copies of this being sent to the Commercial Store and the Sales Department. This may be said to complete the system of Stores Organisation.

Wanted, a New Word

A CORRESPONDENT expresses to us what seems a genuine need in shipping circles. A word is required that will signify a number of packages or tons of goods imported for the account of a single interest. In dock circles such a quantity of goods is at present referred to variously as a "consignment," a "parcel," a "shipment," an "interest," a "risk," a "line," a "lot," a "cargo," an "importation," or a "mark," but none of these terms faithfully meets the case.

The term "consignment" often loosely applied to any lot of import goods, strictly signifies only goods that are received for sale on account of the shipper. "Shipment" savours rather of export goods. "Interest" or "risk" have a marine

insurance twang and are not particularly clear to the layman. "Lot" — besides being slangy may easily lead to difficulty when goods are subdivided for sale by auction. "Importation" is clumsy and pedantic.

The presence of a number of terms having a special application only, does not help the case. "Break" for example, means a series of cases of tea of similar mark and having running numbers.

In the past presumably no one has grumbled because those concerned were born into the trade, but with the increasing attention given to transport problems it does seem that the subject warrants the attention of the experts, so that our terminology may not mislead.

Environment

By VINCENT E. JACKSON
Secretary, Office Appliance Trades Association

"AN Englishman's home is his castle." Nobody seems to be able to say with any certainty who first spoke these words. Suffice to say that it is almost a national quotation. Politicians have breeched it from party platforms. Writers have harped on it in plays and books. The common people have nursed the illusion with true British tenacity.

Without question, it was no illusion in the old days—at least for the upper classes. Moated castles were more or less secure against armies as well as the income tax collector. It represented the occupier's entire "world"—he ate there, slept there and, for safety's sake, almost lived there.

That times are considerably changed is obvious, and yet much of the same spirit still prevails. This very English trait is common to all, rich and poor, and there is something very beautiful in this ideal. Even the inroads of modern civilisation have failed to shake our faith in the sanctity and security of Home.

Those who have a Life Partner know the thrill and enjoyment in buying the furniture, choosing the curtains and wall-paper, and arranging the hundred and one details of "setting up" on one's own.

Underlying and intermingled with the sentiment of purchasing the home is the idea of comfort for ourselves and others, and, too, most people have an eye for the effect on visitors. We want it to be beautiful, to reflect the happiness of our existence and at the same time to have its own peculiar effect on ourselves. It is everything to feel that we have a "nice" home, not necessarily expensive, but tasteful according to our ideas, and pleasing to live in.

This is all very human, though many would scoff if it was pointed out that existence at home among pleasant surroundings has a marked psychological effect on the degree of happiness.

Nine people out of every ten who go to business leave their homes about 8.30 a.m. and return about 6.30 p.m.—that is to say, they spend about fourteen hours in their home every day and eight of these are spent in bed and asleep. It means that apart from the time taken in travelling—and unless one is on the outside staff—most of us spend over forty hours per week in the office.

Considering the fact that we spend more time in the office than in our home, —excluding hours of sleep—and that it is more important that our *business* visitors should be duly impressed, do we honestly give enough attention and interest in equipping our office?

It is not strange when one remembers our racial conservatism towards anything progressive that the average office in this country is shabby, unhealthy, and most inefficient from a working point of view. Many of them still deserve the description of the typical lawyer's or solicitor's office—musty!

Yet no progressive business man will deny that light, clean, well-furnished offices are conducive to better work. There is a marked psychological effect on the staff in the first place. They work better, more pleasantly. They have a higher opinion of their firm. How often have we heard a clerk remark of his employers—"Mean lot, our firm—always buy the cheapest of everything. Haven't got a decent chair to sit on even, and the boss's desk came out of the Ark!"

Unconsciously or otherwise, every man

and woman judges his or her employer by the way they are treated and the "tools" they are given to work with. The interest and enthusiasm they put into their work is measured by their judgment in this respect. Good work cannot be expected of bad tools, however good the workman. Give the staff decent office accommodation and they will think more of their firm and work better.

In appearance, let the office be worthy of the business. Let it impress the caller with the dignity of your work.

It has often been remarked that far more attention is paid to factory working

conditions than to the office—because the latter is often non-productive. Be that as it may, the office enables the factory to be productive. Application of the science of the elimination of nervous eye strain, of increased productive planning and progress of work, and time saving to the office as well as to the factory, for good working conditions are essential in the office and factory alike if we want to get the most out of business.

An Englishman's office is where he earns his money—and money buys his "castle!"



Services Performed by Bankers

THERE is a very close connection between banking and the internal and external trade of the country, and over and above the receipt of deposits, the granting of loans, and the encashment of cheques, there are innumerable other services which a banker renders. By means of the network of branches possessed by a large bank, arrangements can easily be made for moneys to be paid in and for cheques to be cashed at any branch other than that at which a particular customer keeps his account. Letters of credit are issued for the convenience of travellers, whether at home or abroad, and still more recently the attention of the public has been brought to the issuance by at least one bank of traveller's cheques of various denominations encashable almost anywhere either in this country or abroad. A banker can also arrange to make payments for his customers at various due dates and to collect dividends on securities and the principal of maturing bonds. He will also buy and sell foreign exchange or in plainer English, purchase or dispose of the currency of any other country. In addition, he is prepared to buy and sell all classes of securities almost on the same terms as if the business were placed with a stockbroker direct. Usually publicity is not given to this side of a banker's business, but during

the past few months it has come before public notice by reason of a discussion among stockbrokers of the question of increasing their share of the commission which they split with the banker. The advantage to the public of purchasing or selling securities through a banker lies in the fact that in a great number of instances the man in the street is not acquainted with a reliable firm of brokers, and even when presented with a list of reputable firms does not know which to choose or how to get into contact with them. Another side-line to which reference may be made is the setting up of departments for the purpose of enabling customers to render accurate particulars for the purpose of income tax assessments. A further additional feature relates not only to facilities which can be afforded to a customer during his lifetime, but to duties which may be performed on his behalf after his decease. This is the executor and trustee business, which in the case of most of the banks is conducted by a special department. Nearly all the banks connected with the London Bankers' Clearing House transact executor and trustee business, as do a few, if not all, of the provincial banks, while some of the Indian and Colonial banks have also launched out in this direction.

Self-Organisation for Business Men

XI—Interest

By MORLEY DAINOW, B.Sc. (HONS.), LOND.
Director of the London Institute of Applied Psychology

There is within the mind a quality, a power, a force, which makes the mind put forth its best. Without it, mental efficiency is impossible; with it, mental efficiency is guaranteed. This is INTEREST. We see it in various forms—Faith, Belief, Enthusiasm, Love—but always it is the petrol and oil of the machine by which it moves and by which it moves effectively. Mr. Morley Dainow shows here the basis of interest or of what it is made; the growth of interest, or how it takes shape; the development of interest, or how it can take good shape; the application of interest, or how you can put it in your life and your work.

I. What Interest Does

"IS it interesting?" is a frequent question addressed to all of us. But what does it mean exactly? What are the most interesting moments or periods in our work? You may think at once that the pay moment is the most interesting, but it isn't. You don't sit back and enthuse and glow over your pay. The most interesting moment is when you have produced some little masterpiece, some piece of work to which you have given your whole-hearted attention and skill. The interest makes you

feel ever so happy. You talk about the work. You enthuse about its quality. You think of newer work. In life, apart from livelihood, what are the most interesting moments? Here are some: meeting your girl or your man; playing for your club; greeting and being greeted by the wife and children; surveying your house or glancing lovingly at your garden. *Each interest fully stirs your activity. Interest is able to draw forth your energy without apparent effort.*

II. What Causes Interest?

The routine of an office or a shop, or a workshop, can be suddenly interrupted by something that interests you. It may be an accident, such as a window smashed. It may be less violent, such as a colleague's brilliant attempt at preparing a statement; a fellow-salesman's splendid clinching of a useful sale; a fellow-worker's beautifully finished job. All these experiences cause you to react in their direction, to look, to admire, to feel pleased.

You leave your place of work. What interests you outside? It may be your girl or your boy, your wife or your husband. It may be your house or your garden, or your motor-cycle, or

your car. It may be none of these, but a meeting of a political society, or a literary society, or a social or sporting club. There must be some reason why these people, things, and movements so easily draw forth your energy.

Each interest that moves you is a development of one, or all, of three natural springs within you—*Self; Sex; Society*. The interest in your property is a result of the motive of Self. The interest in your wife and child is a result of the motive of Sex. The interest in your club is the result of the motive of Society. We possess these springs in common with the animals, but our higher mental endowment and our

civilisation have helped us to refine their expression.

We satisfy the spring of Sex not in the obvious animal way, but in acts of gallantry, chivalry, devotion, courtesy; in love of poetry, art, music, films, plays. All of these stimulate interest because at bottom they touch the natural spring of sex, but this spring has been so well brought up in most of us as to be almost unrecognised in the course of our cultural activities.

The spring of self has been guided to better expression by the same influences. We do not rush to snatch food or drink, or shelter, when we are hungry or thirsty, or cold. We do not rush to kill or rob our neighbour when we are in want.

We increase our self-activity by moral, pro-social means, but our interests in our houses, our investments, our money, our things, are due at bottom to the natural spring of self.

The spring of society has similarly developed within us. We do not force people to be with us. We do not force ourselves on people. We have friends, we entertain friends, we are entertained by them. We mix with crowds at theatres, in shopping centres, at holiday resorts. We lead, in fact, healthy and vigorous social lives. We belong to groups, political parties, sporting clubs, localities. All these interest us because of the natural spring of society within each of us.

III. The Basis of Interest is Instinct

Each spring inspires us to activity in three ways. We must notice objects. The hungry man notices food; the man of society notices people; the man of substance notices the price of shares. We must have some feeling about these things, such as love or exultation, or pride. Thirdly, we must do something to them; we approach the beloved, we

continue the exultation, we prolong the condition that gave us the pride.

As the three springs within us are part of our inheritance, for we do not learn to be hungry, to be sensitive to a man or to a woman, to be fond of the things that belong to us, they are usually called instincts.

IV. Memory and the Instincts

The instincts are the channels of mental energy. They are perpetually at play. Every time we have an experience by means of them a record accumulates within us. This record is part of memory. When the record is pleasant, it is a beginning of a pleasing accumulation within which eventually becomes a *preference*. When the record is unpleasant, it is the beginning of a displeasing accumulation within which eventually becomes a *prejudice*. For instance, if our first acquaintance with a horse were a kick, we should develop a prejudice against horses; if our first acquaintance with a horse were a pleasant ride, we should develop a preference for horses.

These preferences and prejudices become separate groups of ideas and feelings growing up within us. They are technically called *complexes*. You build up complexes from all the experiences that stimulate the three springs within you. The materials for the building up are the contents of your environment, such as the family, the home, the school, work, and the activity of the springs within you, such as noticing things, liking or disliking them, doing something with them. You consequently build up complexes about your father, your mother, your sisters, your brothers, your religion, your country, sports, work, your wife, your husband, and other things and

people and ideas with which and with whom you are perennially in contact.

These complexes are the storehouses of ideas, feelings, and actions within you. They enrich any excitement of the natural springs. They come in conflict with the expression of the natural springs. A man's complex about his mother, for instance, often kept him on the path of virtue during the war, when the natural spring of sex was inclined to be very powerful. The spring of self will inspire a man to amass wealth, position, power almost brutally; but the complex within him of school and morality will help him to control the brute method of the self spring, will tone it, in fact, and the would-be savage becomes a highly efficient rich man by serving society gently as well as mastering it fiercely.



MR. MORLEY DAINOW

V. The Development of Interest

Each interest or animal spring of energy compels us to be aware of certain things, to feel peculiarly and differently about them, and to perform actions towards them. We perform these three acts over a hundred thousand times daily. In time we develop them so well that they in turn develop within us three further springs of energy, three human springs.

In noticing things, what are those that appeal to us most? They are the new, the novel, the exciting, the uncommon, the surprising. All these appeal to us

because we have now another spring called *curiosity*. This grows with mental development. An animal's or a child's curiosity is limited as compared with that of an educated man or woman. Curiosity is really an inner development of thought and feeling, clearly marking the distinction between the animal mind and the human mind, and showing the progress from animal mental life to human mental life.

What acts do we perform with the greatest gusto, with the greatest pleasure? They are those that lead to something useful, something purposeful, something practical and helpful. Their appeal is strong within us, because of another human spring, the constructive impulse or *construction*. How many a man will work for countless days and nights spurred on by this impulse! How

fascinating it is for us to construct anything! To help to build a house! To help to erect a tool-house! To re-shape a garden! To re-furnish a room! In other words, to produce a completely fashioned thing, to create, for creation is the highest type of construction. When feeling is so intimately attached to things and ideals as almost to be part of them, we call it desire. The strongest desire is to collect things, to acquire things. Postage stamps, china, glass, engravings are examples of the working of this third human spring, *acquisition*.

Curiosity, Acquisition, and Construction

are three powerful human springs we build up as the result of education, and by means of which we refine and

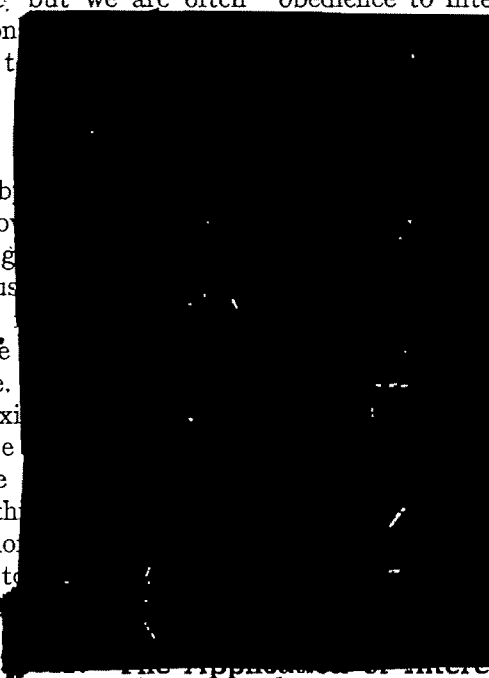
elevate the expression of the primary animal springs of Self, Sex, and Society.

VI. The Use of Interest

Interest compels us to attend to certain things and ideas. Often we simply cannot get away from interest. It invigorates our attention. We do not merely attend without effort, but we are often prepared to go to considerable lengths of discomfort in order to satisfy it. The crowds waiting

outside a theatre; the huge crowds on a rainy day standing bolt upright for hours waiting for a football match, are examples of acute discomforts merrily faced in obedience to interest. Interest is, therefore, a powerful aid in work. It can help us to see things more clearly, feel more strongly.

We must begin by recognising the presence and the power of the animal springs. If given freedom, they will take us where we shall do too much; if controlled, they will take us where we shall do too little. We must, therefore, recognise their existence and their power within us, to be able to control them. The master must be able to direct the springs, curiosity or thought, or feeling, construction. For instance, if sex has to be expressed simply



and action. Thinking gives form, whether poems, plays; feeling gives us a form of music and a way to beauty; action gives us a controlled discipline necessary for thinking and the fine feeling. The animal springs are controlled under the direction of the mind, then—

A noble word is thought,
A noble deed is wrought,
A glad surprise
The soul rises.

The Application of Interest

To develop interest, do not make too much of the thrilling experiences of life, the expression of Sex, the glorification of Self, the adulation of Society. They must not be ignored, but helped to finer and more elevating expression. Concentrate upon the human springs, Curiosity, Acquisition, Construction.

Take any item of work and ask yourself: Can I find anything new here? Can I find here an illustration of completeness of make or of form? Can I find anything here in the thing itself, or in the ideas behind it, that I can add to my treasury of knowledge or experience?

Life without interest is a living death. Work without interest is penal servitude.

Interest abides in the most obvious and ordinary places. The man next to you at the office or shop, or bench, can be interesting if you ask him about his garden or his books. The work you do can be interesting if you will examine it under the eyes of curiosity, construction, or acquisition. Above all, you yourself can be interesting if you will do things rather than wonder whether you can do them. Around you and within you is romance. Live it! And life becomes finer, deeper, more exhilarating, more joyful; and livelihood becomes richer, worthier, happier. You can live it by finding thoughts that clarify, feelings that glorify, actions that fortify, and

combining them all into yourself, applying them all to your work and bestowing them all on your friends.

QUESTIONS: SET XI

(NOTE.—No answer should take MORE than ten minutes or be expressed in LESS than 100 words.)

1. (a) What are the three great animal springs (or instincts) in the mind?
(b) What are complexes?
(c) How are complexes formed and what do they do?
2. (a) What are the three great human springs in the mind?
(b) Give illustrations from your own experience showing the evidence for each such spring.
3. (a) What does Interest do for you?
(b) How is it developed?
(c) What should be the right relationship between the animal springs and the human springs?
4. (a) How can you make your life more interesting?
(b) How can you make your work more interesting?

5. (Optional.) Is there any subject or activity which you would like to make interesting, but not?

Answers to these questions, enclosing a stamped addressed envelope, should be addressed to Mr. Morley Dainow, c/o BUSINESS ORGANISATION AND MANAGEMENT, 39 Parker Street, London, W.C.2.

Answers to Correspondents

Functions of Judgment.

E. M. C. (Plumstead).—It is really the first big step in mental education. When it is practical, we master things; when it is theoretical, we master ideas; when it is both, with induction and deduction used, we create new ways of understanding ideas, new ways of dealing with things.

Nothing New under the Sun.

E. E. C. (Hull).—There may be no new thing under the sun, but the mental processes of dealing with things and their meanings are continually producing *new ways of dealing* with things.

Original Judgment.

K. A. B. (London, N.W.6).—Its origin is in the mind, but in order to be of value it must satisfy theory and obey practice. Its great claim is that it is a *new insight* in theory and a *new method* in practice.

T. B. Straw's Weakness.

B. M. (Burnham).—One of his chief weaknesses is that he is, like his name, a man of straw, apt to be blown about by the wind of circumstance. He must strengthen his personality, and meet and try to influence circumstances rather than be guided completely by them.

A. I. Westbury's Failure.

R. G. (Longtown); C. W. T. (Stockport); F. E. J. (Reading).—This man lacked leadership and knowledge of himself. He should either have refused the post on the grounds of lack of leadership qualities, or made a bold bid for success by making up for this lack by *understanding* the new job and *consequently applying* the results of his understanding. He did neither.



Study Your Costing System

“OF course an employer ought to know his wages book, but the thing he ought to know more thoroughly from A to Z is his costing system. That is a thing which has been lamentably neglected in this country. It is the costing system, not the wages book, that is most important. This is a subject which should engage the most earnest attention of the employer. So long as the labour cost is low it matters very little what wages a man receives. In the old days when labour was using a few simple tools it might have been the duty of the employer to watch the wages book, but to-day, with expensive tools and with an immense amount of capital sunk in plant and machinery, the necessity

for looking at the wages book has been very much diminished. What we want in far too many of our business concerns and factories is to know what labour really costs, for if the labour cost is really low, the working expenses per unit of production are low, and that is what we should chiefly aim at. In America they have realised this sooner and more completely than we have in this country. The Americans—and all honour to them—have worked hard at getting good costing systems. There are a few places in this country where you will find a costing system in advance of those in America, but they are all too rare.”—From “*The Romance of Trade*,” by Professor A. W. Kirkaldy, M.A., B.Litt.

Motor Car Manufacturers' Accounts

Some Special Requirements

By S. HOWARD WITHEY, F.C.I., ETC.

(Accountant and Auditor)

THE system of keeping the accounts of a motor car manufacturing firm or company really resolves itself into one of internal check, and it is in relation to internal check that the accountancy and book-keeping work should be systematised.

Unlike the manufacture of small articles, the production of finished cars involves a very considerable amount of working capital to finance the various operations, so that it is particularly necessary to ensure that the system adopted should satisfy all the special requirements of the concern, and that it should minimise the possibility of irregularities. Although a considerable amount of space would be necessary to deal exhaustively with this subject, it is nevertheless possible and equally desirable to outline some of the special requirements, leaving details always to the discretion of the management of the individual undertakings.

Commencing with the orders, the best method consists of entering full details of all orders as received in a manifold book, one sheet being retained in the book, and the other sent to the gate office foreman for entry in a memo. book kept for the purpose. The gate office foreman should keep a gate book containing all particulars of cars and all goods leaving the works, which should be checked by him with the memo. book every day. When the fulfilled orders of the previous day have been checked and marked off in the order book, the gate office foreman should cancel the duplicate sheet of the order book. The prices of all those marked off in the order book should be extended by the invoice clerk, and this work will have to be

independently checked daily and properly initialed for. Orders not so checked off will, of course, represent orders not fulfilled to which attention should be directed.

Goods returned should be entered in a returns inwards book by the gate office foreman, and the details entered in a counterfoil receipt book which should be sent to the general office daily to be checked. If credit has to be given in the accounts, the detachable part of the counterfoil receipt will be filled in, checked, and forwarded, and the counterfoil book passed for entry in the sales returns book each day.

The postings to the sales ledger should not be made by the cashier in charge of the cash book, but should be one of the duties of the sales ledger clerk. Ledgers should be on the self-balancing principle, and ruled off at the end of each month. The amount outstanding can then be easily ascertained by extracting the balances brought down and entering same in an appropriate balance book, carefully noting all overdue accounts.

The length of credit allowed in connection with those accounts usually collected by travellers could, in the interest of the company, be limited to say two months, and no deductions whatever should be allowed for expenses, as all claims of this nature should be presented to the cashier for separate recording. Customers owing balances which have been outstanding for more than two months, or other period decided upon, should be asked to settle their accounts, all receipts to be sent direct from the office and not given by travellers.

Having regard to the comparatively great number of cash payment items in relation to the number of items of the cash received, it is advisable to keep a cash receipts book and also a cash payments book instead of recording receipts and payments in one book as is the custom in the majority of offices in other branches of industry and commerce. It is distinctly more economical as regards work to have only three columns in the cash receipts book, namely, discount, cash, and bank, as all cash received should be paid intact into the bank daily after being entered in a private diary by the person responsible for opening the letters. From the entries in the private diary, counterfoil receipts should be made out by another clerk. The entries in the cash payments book should consist of purchase ledger items, which should all be paid by cheques crossed *& Co.*

Not Negotiable and dated and made out on the first day of the month. With the exception of wages, but including clerks' salaries, receipts should be obtained for all payments, and filed in order with the entries in the cash book. For reference purposes it is convenient to show the folio of the cash book on the receipts in red ink, and to show the cheque numbers against all entries. A minute of the Board is desirable to sanction large exceptional payments.

As the entries in the petty cash book are numerous, the debits should consist only of items posted from the cash book, and receipts should be obtained for all payments. The petty cash book should be ruled with suitable analytical columns.

The purchases will come under a variety of headings, and all invoices received should be stamped showing the number of the order, a reference to the entry in the goods inwards book, and an indication as to the column under which the

entry should be analysed in the purchases book. By showing the folio of the purchases book in the goods inwards book the possibility of goods being invoiced twice and passed is avoided. The number of the invoice should be entered against each item in the purchases book and the details of all capital expenditure could with advantage be entered in a separate inventory book. It is decidedly more useful to balance the purchases ledgers monthly, at which time a list could be made out.

Monthly Balancing of Ledgers

In order to readily locate any errors in the accounts it will be necessary to have suitable columns in the cash book, sales book, purchases book, and petty cash book. In the cash received book there will be few items to be posted elsewhere than to the sales ledgers, so that it will not be essential to have separate columns for any purchase ledger, nominal ledger, or private ledger items, and all that is really required is the making of a summary at the end of each month showing the total of the items posted to the sales ledger in that month, and the totals of any amounts posted to any other ledger or book of account. A good ruling for the sales book is shown on the next page.

All items posted elsewhere than to one of the sales ledgers have to be listed and brought into the adjustment accounts in order to balance the ledgers separately.

It is better to enter only purchase ledger items in the cash payments book, so that only two columns will be required, one for the cheques drawn and the other for discounts received. Any other items should be passed through a private cash book, analysed under sales ledger, nominal ledger, and private ledger. Transfers from one ledger to another should be passed through a transfer journal to

CAR RECORD
METHOD OF TRACING CHASSIS

Date	No. Aff'd	Erected	Body Fitted	F.C. or C.O.	Sale Day Book	Stock	Remarks
1922		1922					
Oct. 16	5106	Nov. 3	✓	Nov. 25	F.C.	Nov. 349	F.C.
" 16	5107	" 4	✓	Dec. 4	F.C.	" "	5107 F.C.
" 16	5108	" 4	✓	" "	C.O.	Nov. 363	C.O.
" 16	5109	" 4	✓	" "	C.O.	" "	5109 C.O.
" 17	5110	" 6	✓	Oct. 6	F.C.	Nov. 353	F.C.
" 17	5111	" 6	✓	" 18	F.C.	" "	5111 F.C. Shop Model
" 17	5112	" 7	✓	Nov. 29	F.C.	Nov. 362	F.C.
" 17	5113	" 5	✓	Dec. 2	F.C.	" 363	F.C.
" 18	5114	" 5	✓	" 15	F.C.	" 363	F.C.
" 20	5115	" 3	✓	" 15	F.C.	" 363	F.C.
" 20	5116	Oct. 30	✓	Nov. 14	F.C.	" 363	F.C.
" 22	5117	Nov. 7	✓	" "	C.O.	" "	5117 C.O. Work on Nov.
" 23	5118	" 8	✓	" "	C.O.	" "	5118 C.O.
" 23	5119	" 4	✓	" "	C.O.	" "	5119 C.O.
" 23	5120	" 10	✓	" "	C.O.	" "	5120 C.O.
" 24	5121	" 11	✓	" "	C.O.	" "	5121 C.O.
" 24	5122	" 2	✓	" "	C.O.	" "	5122 C.O.
" 24	5123	Oct. 29	✓	" "	C.O.	" "	5123 C.O.
" 25	5124	Nov. 5	✓	" "	C.O.	" "	5124 C.O. Sold to Mr. Smith
" 25	5125	" 4	✓	" "	C.O.	" "	5125 C.O.
" 26	5126	" 10	✓	" "	C.O.	" "	5126 C.O. Work on Parts
" 26	5127	" "	✓	" "	C.O.	" "	" "

either weekly or at such times as are most convenient. The erecting shop record is examined at least once a week, and all chassis erected are noted by entering the date of completion of each job against the particular chassis numbers. The gate record of cars returning from road or other tests, after being certified by the foreman tester, is required for examination so that the number of each tested chassis may be marked off in that column by means of a small tick. Up to this point, each job will consist of the production of chassis only, and if no body is fitted as revealed by entries in the column under that heading, the letters C.O. are entered in the next column, meaning "Chassis Only" as distinct from the letters F.C., denoting "Finished Cars."

If the bodies are made by the same undertaking, the entries will have to be examined in detail in order that each body fitted may be marked off on the car record against the respective chassis

numbers. If the bodies are made by an outside firm or company, the invoices received will be the basis to mark off.

The number of each chassis will be recorded against each entry in the day book, and by going carefully through the day book all sales of finished cars, chassis, or bodies can be entered on the car record. At the end of each month the stock of cars, etc., can be quite easily ascertained and presented in suitable manner in the monthly statement by extending the chassis erected and unsold into the stock column, marked with the letters F.C. or C.O., according to whether the record shows the item to be a finished car or a chassis only. At the commencement of the next month's work, all that is necessary with regard to the car record is to rub out the previous notes in the stock column and re-enter, as before. In some cases it will probably happen that a car will pass through the day book as sold and entered on the record accordingly, but not actually

SALES BOOK

[illegible]

facilitate the ready balancing of each ledger and to avoid the necessity of making lists of transfers in the course of which errors very often creep in. The monthly list of balances should be completed by the third day of the next month, so that the figures can be agreed for monthly statement of trading purposes, and it will be easier from the point of view of subsequent monthly balancings to bring down the ledger balances in red ink.

Wages

It is advisable to keep the wages of day workers distinct from those of piece workers, although all workers should clock in, but on different cards. The work performed by each day worker will be entered by him daily on a card which will be initialed by his foreman, records of which should be passed on to the general office each day by the foremen together with all clock records so that the time sheets can be compared. The names of the men, together with the rates of pay and particulars of any deductions; and the number of hours worked by each man daily, should be entered on wages sheets, and these details should agree with the foremen's time sheets. The net amount due to each employee will be worked out and entered, and after the sheets have been added all the calculations should be independently checked. All cards, both piece-workers and time-workers should

pass through the progress office, so that the wages can be properly allocated. After this has been done and checked the cards may be summarised and the wages sheets prepared.

Each man concerned in the preparation of wages sheets should sign for the work performed, and the fair copy should be countersigned by the accountant. The person actually paying out should sign the sheets, as also should the person present.

Unless a satisfactory system of tracing all chassis erected is put into operation, there is great danger that one or more will go astray in the course of a year's operations. It is therefore very necessary that a complete car record should be kept, either in a specially ruled book or on sheets conveniently ruled.

Car Record

The following is a specimen method which the writer has adopted for the purpose of tracing all productions of cars, etc., and which in operation fulfils all requirements and reveals at once any irregularities, as shown opposite.

All orders received from customers are allotted in consecutive numbers, and carbon copies of same retained in duplicate tissue books, the originals of which are passed on to the shops superintendent as a guide to the amount of material to be requisitioned. From this tissue or manifold book, the first two columns as shown in the above example are filled in,

CAR RECORD
METHOD OF TRACING CHASSIS

Date.	No. All'd	Erected.	Tested	Body Fitted.	F.C. or C.O.	Sales Day Book.	Stock.	Remarks.
1922		1922						
Oct. 16	5106	Nov. 3	✓	Nov. 25	F.C.	Nov./349	F.C.	
" 16	5107	" 4	✓	Dec. 4	F.C.	"	5107	F.C.
" 16	5108	" 4	✓	"	C.O.	Nov./363	C.O.	
" 16	5109	" 4	✓	"	C.O.	"	5109	C.O.
" 17	5110	" 6	✓	Dec. 8	F.C.	Nov./353	F.C.	
" 17	5111	" 6	✓	" 18	F.C.	"	5111	F.C. Show Model.
" 17	5112	" 7	✓	Nov. 29	F.C.	Nov./362	F.C.	
" 17	5113	" 5	✓	Dec. 2	F.C.	" /363	F.C.	
" 18	5114	" 5	✓	" 15	F.C.	" /363	F.C.	
" 20	5115	" 3	✓	" 15	F.C.	" /363	F.C.	
" 20	5116	Oct. 30	✓	Nov. 14	F.C.	" /363	F.C.	
" 22	5117	Nov. 7	✓	"	C.O.	"	5117	C.O. Work's Van
" 23	5118	" 8	✓	"	C.O.	"	5118	C.O.
" 23	5119	" 4	✓	"	C.O.	"	5119	C.O.
" 23	5120	" 10	✓	"	C.O.	"	5120	C.O.
" 24	5121	" 11	✓	"	C.O.	"	5121	C.O.
" 24	5122	" 2	✓	"	C.O.	"	5122	C.O.
" 24	5123	Oct. 29	✓	"	C.O.	"	5123	C.O.
" 25	5124	Nov. 5	✓	"	C.O.	"	5124	C.O. Final Test at Brooklands.
" 25	5125	" 4	✓	"	C.O.	"	5125	C.O.
" 26	5126	" 10	✓	"	C.O.	"	5126	C.O.
" 29	5127	"		"		"		Work in Progress

either weekly or at such times as are most convenient. The erecting shop record is examined at least once a week, and all chassis erected are noted by entering the date of completion of each job against the particular chassis numbers. The gate record of cars returning from road or other tests, after being certified by the foreman tester, is required for examination so that the number of each tested chassis may be marked off in that column by means of a small tick. Up to this point, each job will consist of the production of chassis only, and if no body is fitted as revealed by entries in the column under that heading, the letters C.O. are entered in the next column, meaning "Chassis Only" as distinct from the letters F.C., denoting "Finished Cars."

If the bodies are made by the same undertaking, the advices will have to be examined in detail in order that each body fitted may be marked off on the car record against the respective chassis

numbers. If the bodies are made by an outside firm or company, the invoices received will be the basis to work from.

The number of each chassis will be recorded against each entry in the sales day book, and by going carefully through the day book all sales of finished cars, chassis, or bodies can be entered on the car record. At the end of each month, the stock of cars, etc., can be quite easily ascertained and presented in a suitable manner in the monthly statement by extending the chassis erected and unsold into the stock column in pencil, with the letters F.C. or C.O., according to whether the record shows the job to be a finished car or a chassis only. Upon commencing the next month's routine work, all that is necessary with regard to the car record is to rub out the pencil notes in the stock column and to continue as before. In some cases it will probably happen that a car will pass through the day book as sold and entered on the car record accordingly, but for which no

body invoice has been received as revealed by no entry being shown in the "body fitted" column. It will be necessary to make a list of all such sales in order that the cost price of the bodies sold may be properly reserved against the body purchases. If this is not done, the monthly statement will, of course, be inaccurate, as certain sales will be credited without the corresponding purchases being debited in the accounts, a result which would be totally misleading to the directors. At the end of the month or period, and particularly at the end of the financial year, the stock shown by the records will be compared and checked with the actual stock on the premises, and any discrepancy should be most carefully investigated to prevent any further irregularities.

Stocktaking

If the current market price of any material in stock is below the cost price, the market price should be taken at stocktaking, and all calculations should be so based. If, however, as is the case in normal times, the market price is above the actual cost price, the cost price should be taken.

There are one or two important matters which warrant proper consideration before finally deciding upon the method of taking stock. They consist chiefly of dividing the work between those engaged in the progress. Broadly speaking, the work should be apportioned so as to prevent overlapping and at the same time provide a systematic check. One person should be detailed to call out the quantities and descriptions of all goods, while these particulars are entered by another person on sheets ruled for the purpose. The buyer will be responsible for entering the prices against every item, although the calculations and additions will be made and checked by different clerks. The name of the shop should

be written on the top of each stock sheet, and the sheets divided into four classes, viz.: (1) Raw Materials; (2) Partly Manufactured; (3) Work in Progress, and (4) Fully Manufactured. The value of partly manufactured and work in progress can be best arrived at by taking the cost of the raw material and adding a certain recognised percentage, while in some instances "fully manufactured" can be ascertained by taking the selling price and deducting a known percentage to cover selling costs and profit. Where possible this is more accurate than adding the actual cost of wages, which is usually done, although in many cases selling costs and profits will not be known.

Each person must sign the individual stock sheets for the particular work performed, the final sheets being countersigned by the accountant. Special care should be taken to ensure that all invoices referring to the period covered by the account or under review at the moment, are brought into account in the purchases book, and no stock should be included unless the invoice referring to it has been included in the total of purchases during the period. On the other hand, where invoices are received and the goods have not come to hand, the amounts will have to be reserved against the purchases and the value of same included in the stock under "Goods in Transit."

Care will also be required to avoid taking into stock any cars, chassis, or accessories which have been charged up to customers through the sales day book.

In every direction progress is being made in improved machinery, and it should never be forgotten that the greater the improvement the more rapidly will obsolescence result. In this connection the advantages of a complete valuation periodically should not be lost sight of.

Efficiency in the Office

A Defence of System

By "VIGILANS"

This spirited defence of the value of system will be appreciated by every business man who realises the advantages of modern methods. The writer shows how it is possible to practise true economy in office equipment without any sacrifice of efficiency.

THE business world has become infected with the economy germ, and is consequently going through a high fever of expense, ending, the cutting of expense at all costs being the principle at the moment. There can be no gainsaying the excellence of judicious economy. In fact, that is what system truly is, economy of effort, economy of time, economy of error, economy of cost. I have purposely put economy of cost last, as, strictly speaking, while it is an essential ingredient of system, economy of cost should really be the last consideration. For in effect if system is properly devised and applied, it automatically produces economy of working cost, and this from the very fact of its achieving the other economies listed.

A Distorted Economy

Unfortunately, however, when a wave of economy sets in, such as many firms have felt compelled to submit to of late, it is always the financial aspect of the economy question which rises first in the mind. Limitation of financial outlay becomes a fetish, it exercises a morbid fascination until instead of being a practice likely to be of benefit it degenerates into a preoccupation, which so acts on the mind as to distort the true end in view.

Economy of outlay is the most elementary form of economy, as far as office organisation is concerned. The weakest intellect is capable of grasping the salient fact that by refusing to spend sixpence one's purse is sixpence richer than if that amount had been disbursed. It is the wise man, however, who sees in that sixpenny expenditure a worthy object far-reaching and beneficial

results. Yet, as inferred above, economy is being espoused with all the blind enthusiasm of a new virtue, with a consequent tendency to practise it to such a degree of rigidity as to cause it to come under the heading of false economy.

True Economy in System

What is true economy in the matter of system and system equipment? The first consideration that occurs to one in this connection is "Have we a need for system?" If the business man looks round and finds there is such a need in a particular direction, he should most certainly instal the appropriate system. Of course, there is the type of mind which looks askance at system, as something occult, necromantic, a thing closely akin to the ritual of the "mediumsman." To such a mind system means something that can quite easily be done without, a cranky ideal which one's fore-runners would never have tolerated for a moment, one of those fanciful, ephemeral notions which the twentieth century is so eager to take up, providing its promoters shout about it enough and hammer it into the popular mind by truculent and aggressive advertising methods, a principle which attributes success to judicious "subliminalism," and is only taken up by credulous fools.

The Card Index Mind

But the man who thinks thus mistakes the shadow for the substance. He has the card index mind which he so much values at. His brain has registered system, as in an index in one of its aspects only, and as such it remains for all time, a fixed idea. He has it mentally catalogued as it appears

in the most flamboyant and extravagant manifestation. Wherefore he firmly refuses to recognize virtue in it or any possibility that he may mistakenly once be realising it from the point of view of its abuse instead of its proper use.

System no New-Fangled Idea

As a matter of fact, system often falls into disrepute by reason of its name. System as we know it has no peculiar right to that name. Every office had its system from the initiation of such commercial operations. What we now know as system is in reality nothing new. One supposes that in the past business records were, in their result, pretty much the same as to-day. There was some sort of ledger, some method of recording stock, records by which purchasing could be regulated, or costing effected. But when the system house introduces the idea of card ledger, a flexible stock record, a labor-saving purchase order scheme, and the like, the prospective customer, always suspicious, jumps immediately to the conclusion that some new fangled idea is being proposed, the introduction of which into his office would upset his own equilibrium and preconceived ideas as well as those of his clerks.

The Better Way of Doing Business

Now system is nothing new. Generally speaking, it cannot introduce a single scheme into an office that was not there before in some elementary, and therefore imperfect, form. System is only a better way of doing the old things. That is all. Because it is better it is (if it is to justify its existence) not all going to ensure freedom from error, economy in routine, and saving of time. System *can* be done without *in certain cases*. If a man has no overdue accounts (fortunate soul) he requires no overdue account record. If his accounts are negligible he requires no ledgers. If he has no stock to care for and sell, he requires no stock record. If he effects no sales, he requires no sales record. If he buys nothing, he requires no purchase order scheme. The foregoing statement sounds, of course, farcical, but it is only another way of saying that the only

business man who cannot usefully employ efficiency methods, or system, which ever you may like to call it, is he who does no business at all. But the firm which does do some buying and selling, which does hold stock, such a firm requires a systematic routine for dealing with these commercial contingencies. If it is not already using modern methods, which let me repeat are only a better way of doing the old things, then it can most certainly advantageously employ them. So if the business man, or the first essential to economy, asks himself "Have I need for any system?" the answer will undoubtedly be in the affirmative.

Essentials in Office Equipment

But since "economy" (the sad word) is now considered all important, some remarks on how the real variety of it may be achieved will perhaps not be amiss. In the matter of equipment—What constitutes a sound economical investment in the way of cabinet-ware? The following are the essentials in respect of a vertical filing cabinet. It must be remembered that a vertical filing cabinet is subjected to a degree of strain inherent in no other form of filing medium. On a narrow base it sustains a proportionately great height of structure. The ordinary vertical filing cabinet is from 10 ins. wide, if quarto (outside measurements) to 14 ins. wide, if legal. Both cabinets are 26 ins. deep front to back. Therefore, on a basal area at the outside of 10 ins. by 26 ins. a height of 52 ins. has to be supported, upon every inch of which is exerted the strain of holding intact the bulk weight of 25,000 or more ins. of paper, not a light substance by any means. The structural details of such a cabinet have relation to those of the skyscraper whose height is out of all proportion to its basal area. It follows that so much disintegrating strain has to be allowed for. The tendency is for the strain to push outwards either laterally or from front to back, leading to collapse. Accordingly the structure has to be particularly strong, sound from every engineering standpoint, and calculated to bear stress in every direction. Following the analogy of the skyscraper, it should be remembered that

while that type of building is more or less static, by that I mean that it is subjected to no more strain than is implied in its total intrinsic weight of material, apart from the vibration caused by passing traffic, the vertical filing cabinet, from the nature of its use, suffers what is, to it, the enervating treatment caused by the constant opening and shutting of the drawers, most of which will be fully loaded. So that during practically the whole of the time it stands up erect as a useful piece of office furniture it has to endure unremitting strain.

Construction of the Vertical Filing Cabinet

Bearing these facts in mind, one may ask, what form of cabinet is going to withstand that strain? The answer is simple—namely, nothing but the best, the best in respect of the timber used and that of the structural details in its design. The good vertical filing cabinet is not necessarily constructed entirely of solid oak. Oak, or mahogany, it certainly must be in the main for durability, but internally many of its parts may be of other timber. Poplar, for instance, a tall tree which when growing in its natural environment has to bend without breaking before the winds and sudden gusty storms which assail the forests, is a timber which from long natural contending with the elements is schooled to the resistance of strain, and this timber often forms the uprights. Then as to the top—solid construction is of little use on account of its warping tendencies. The ideal vertical filing cabinet top is of four or five ply—possibly a core of chestnut, with two layers, grain running transversely, above and below, of some other hard wood, while the outer plies would be of oak, the grain again running across. A top so constituted knits itself together the longer it is in use, and acts as a fitting binding capital to the uprights of poplar, which themselves are reinforced by oak facings. Then as lateral strain is an important consideration, particular attention must be paid to the jointing of the cross stays between the drawers. These must be well executed, and soundly constructed and fixed, from the cabinet makers' point of view. Also, the tendency to give or sag from front

to back must be counteracted. Accordingly, the good cabinet possesses reinforcements in this direction. Such stay pieces are internal, and invisible to the eye of the superficial examiner.

Purchase Price and Ultimate Value

From a consideration of all these essentials it will be realised that much sound workmanship, good material, and expert knowledge as to stress and what is required structurally, goes into the making of a sound vertical filing cabinet. Such a cabinet naturally costs money—not necessarily an excessive amount, but certainly more than the price at which such cabinets as are claimed to be "cheap" are quoted. The economically minded buyer would do well to submit any prospective purchase to an exhaustive survey based on the above specification if he wishes his outlay to prove the best investment. The value of a cabinet is not governed merely by its purchase price. Far from that, its value is affected also by its maintenance cost. A badly built cabinet will entail constant disbursements on repairs, often to such an extent that all the benefits of its original low price will have been swallowed up in constantly recurring expense, with the net result of it costing, in, say, ten years' time (repair costs added to purchase price), considerably more than the outlay in the first place on a sound cabinet.

The Strain of Constant Use

The same remarks apply to the card index cabinet and any other receptacle for the housing of paper or cards. Both these materials are extremely heavy, bulk for bulk, though not commonly suspected of possessing intrinsic heavy weight as we generally only handle paper or cards individually, in which circumstances they are light enough, forgetting that when piled in thousands, as in a vertical filing or card index cabinet, they turn the scale at a pretty high figure. It follows that only a structurally sound cabinet will stand the strain of constant use.

Value of Good Quality Stocks

To turn from cabinetry to the material of which records are composed it is only a

truism to say that, if economy is the watchword, the card stock, folder equipment, or guide material must be of a quality calculated to outlast the period of time each is likely to be in use. Where in the case of a card record this is not assured, very many of the individual cards here and there will have to be rewritten owing to the original form having become dog-eared and disintegrated, which retards quick handling and produces illegibility. The only logical result of installing poor quality card stocks is increased outlay eventually in buying further supplies in replacement of those which have worn out, and, what is more important, the re-writing of portions of the original record in the act of replacement. It is also necessary to remember that the more a record is rewritten the more possibility there is of error in transcribing, with ultimately devastating effects.

Use Standardised Forms

In conclusion, many firms ignore a useful aid to economy in setting their face against the standardised forms which most system firms number among their lines. These

forms, it is safe to say, designed as they are on a general basis of business requirements, will suit a large bulk of business houses. Among standardised forms are ledger cards, stock record cards, overdue account cards, price records, and so forth. In the majority of cases a specially designed form to suit the user is essential, but often standard forms may be employed, even where amendments are necessary, by the ignoring of certain of the columns, or the substitution of the headings by more appropriate headings. There is this argument for standardised forms. They are cheaper from being run off in bulk. Assuming equal amount of composition to be involved, they are in no way as costly as a specially executed form. They may be had in small quantities, in accordance with requirements, at prices proportionate to the thousand rate. Further, the firms supplying them maintain constant stocks so that requirement can be satisfied immediately, without the irritating delay which sometimes follows the demand for a specially executed form, delivery of which it may be impossible to effect under a week or a fortnight.



“Don't be a Piker!”

GERMAN business men are frequently held up as an example to ourselves for their linguistic ability, and their catalogues, printed in a great variety of foreign languages, are reported to be the despair of our export trade. There must, however, be a considerable improvement over some of the business literature which is being broadcasted over here by the pushful Teuton. The *Liverpool Post* recently gave a few amusing specimens. One firm in Saxony begins an eulogium of a new fountain pen by declaring, “Our fountain pen is a revolting invention,” a statement which is certainly

calculated to arrest attention. A Saxon publishing company, which is nothing if not ambitious, sets out to teach Englishmen how to write English, offering a book on salesmanship and letter writing in the following terms: “You can't afford to be without this book. Don't be a piker and throw away this opportunity.” This sounds a good one to add to a letter salesman's list, but what does it mean? It is, perhaps, fortunate for the home trade that the good old English language is such a bulwark against foreign competition.

Finance for Business Men

By OUR FINANCIAL EDITOR

A New Asset for the Mines

IT has always been a problem to find a use for the ever-increasing dumps of residues thrown up from the South African gold mines. These dumps of course exist wherever gold is found, but in South Africa, owing to the fact that so much of the gold is free-milling, or at least associated in but a small degree with base metals, the excellence of treatment has been such as to leave but an insignificant percentage of gold in the dumps. The future of Australian dumps, for example, in many cases is wrapped up with the potentialities of some process, yet to be discovered, that will economically extract the gold, which were it not for the presence of sulphides and the like might readily pay for the cost of treatment and leave a margin of profit.

An Economic Proposition

South African dumps are, however, in quite a different position, and from the point of view of actual gold contents they have been in the main valueless—till the discovery that a most excellent brick can be made from the waste accumulations. A well-known financial authority gives the cost of manufacture of such bricks at slightly over 27s. per thousand, which compares with an existing article selling round about £4. There appears to be no doubt as to the high quality of the brick that can be made from the dumps: and it is substantially a question of erecting the necessary plants in order to develop a profitable trade, which in addition to providing the mines with a serviceable by-product should be of the greatest assistance in helping the housing problem of South Africa.

Fortunate Stockholders

The Swansea Harbour stockholders have had cause to congratulate themselves in the absorption of their interests by the Great Western Railway. The 4 per cent 1940 stock and the 4 per cent "A" stock in 1921 were quoted about 30, commenced to

rise on the merest rumours of absorption by the railway, and by the spring of the following year had risen to the neighbourhood of 85. The "A" stock had been in demand since 1918 and the 1940 stock since 1920. Recently the Great Western Railway has paid off the arrears on these stocks amounting to over £725,000, and of course the stocks are now firmly established as confirmed interest-payers. Swansea is the main port of shipment for anthracite, in addition to other commodities, and by amalgamating the financial interests of the harbour the G.W.R. has practically acquired a monopoly of the Bristol Channel Docks.

On Redemptions.

There are quite a number of stocks issued during and immediately subsequent to the war at the high rate of money then ruling: the India 7 per cent loan, for example, now about 115 and redeemable between 1921 and 1931 at par. With the low rate of money established as it appears to be for some time, both countries and companies can borrow much more cheaply than at the 1919-20 period of dear money, and redemptions will consequently be effected as early as may be practicable, or conversion proposals be forthcoming. At any rate, the high premium ruling on many of these stocks should not be forgotten both by those purchasing now and by the more fortunate who acquired them during the dear money period.

Compensation for Loss

The loss that will veritably have to be borne by the holder of the loss of capital that is—might be compensated for by setting aside one of the slightly higher interest-yield on these stocks a yearly or half-yearly subscription to a fund analogous in some respects to the sinking fund. These amounts, relatively small, of course, could advantageously be invested in a security in which the virtue of capital appreciation was tested, so that at the date of redemption of the

premium stock the stock held by the fund would have increased in capital value and so compensated for the inevitable loss of premium. It is not easy to pick out the entity which shall observe the requisite conditions as regards security and appreciation, but National Savings Certificates would appear to meet the case, as the appreciation is as near absolute as an earthly possibility can hope to be and an approximate series of purchases that will give the desired compensation is merely a matter of calculation. To investors who hold, as many do, the maximum £500 National Savings Certificate, some other security must be substituted. It would be rather interesting if the maximum could be extended to cover the compensatory purposes of *bona fide* private sinking funds built up to cancel losses on such redemptions.

The Manufactured Article and the Trade Return

One is inclined to wonder if the trade returns comparing the last six months with the previous six months can be accepted as an argument that we are substantially benefiting from the occupation of the Rhur by the French. The Germans have recently been willing to pay any price for coal, and, of course, the steel and iron trade has had an exceptionally fine opportunity to get busy in view of decreases in the French and German output. But so much of our labour as an industrial country is bound up with the export of manufactured goods that an all-round increase in general trade would have proved the case much better than a preponderance of one or two items.

The European Market

It cannot be denied, although this question is fertile of pros and cons, that the European market is of vital importance to us on account of the extent to which we are dependent upon actual creation of finished goods out of raw materials. From the point of view of populations it would take a long time—many decades—for our white customers to even approach the number possessed by us in Europe prior to the war and the loss of a part of Europe's millions as customers in

the sixty millions of Germany shows a loss in turnover which is again reflected in our large unemployment returns.

The Loophole

It is possible to blame France; it is possible to blame Germany; it is also possible to blame those who in taking reparations set an impossible task to a nation that obviously had no intention of attempting it—those, additionally, who were so short-sighted as to leave the vastly over-hampered German a free hand with his own currency, from which a little thought will show us has sprung, if not all, at least most of the trouble. If—and it is a great "if"—Germany had been left a free hand in all respects save one—her currency, what a different story there would have been to tell. If all inflation of currency had been prevented; let us say, immediately the Allies obtained control, so that Germany could not have indulged in the frantic scramble to make profit out of her own ruin, much of the present morass where nerves are meaningless instead of being representative and where violence takes the place of economic reasoning could have been avoided. The mark, rushing like the comet into the sun, is affecting other currencies, and with such effects on trade generally that it becomes more and more difficult to get back to the normal international trade relations. Hence it is difficult to see where benefit to our trade as a national asset comes in, except for that temporary increase in coal and iron and steel, which is indeed substantially less than we had reason to hope for.

Drastic Reconstruction

To write off £1,057,609 out of an asset total of £2,725,308 on account of land, buildings, machinery, fixtures, tools and fixed plant, is a situation that the word "drastic" hardly meets. The Sheffield Steel Products Company's shareholders in agreeing to the scheme outlined for the reconstruction of the business, had to listen to many hard facts connected with assets purchased at the height of the boom and the reaction of to-day when values are mostly

substantially more than halved. The debenture holders, as well, with rights that at one time appeared excellently and specifically secured, had to listen to the information that their interest in the undertaking of £850,000 would not realise half that amount were the assets compulsorily liquidated; which goes to show how often illusive is the prospectus which possibly honestly enough states that "the debentures are covered three times over" or whatever the covering total is as revealed by book values.

Debentures and Debentures

A debenture issued to-day and merely well covered would, on account of more stabilised prices, be a far better security than debentures which are in existence at the moment and covered two or three times over on figures referring to the highest prices of the boom period. It is, of course, the old story which is similar to the histories of so many issues of debentures genuinely enough "specifically secured"; but so secured without reference to ultimate values; the debenture-holders cannot afford to realise and suffer the capital loss of more than half their interest, with no hope at all of ever benefiting should the assets at a later time produce profits. They, in common with the shareholders, who on paper have lost their entire capital, conceive it better to agree to any form of reconstruction, and have, in vulgar parlance, "another run for their money"; unhappily not the same money, for every reconstruction of this nature means putting up fresh capital, and there is always the chance of this fresh energy exhausting itself before the goal is reached. The unhappy state of affairs rather suggests that the potential debenture-holder should carefully investigate the claim of a company announcing that its debentures are "specifically secured"—there is such a vast difference at times between the book value and the subsequent realisation value.

United States Statistics

It is interesting to glance at certain figures which show the extent to which the financial world has been turned upside down as the direct outcome of a long and costly war.

In 1914 the United States was debtor to the world to the extent of some £3,000,000,000. During August, 1914, to August, 1922, the total par value of repatriated issues is given by American economists as £2,350,000,000 while the net outflow of American capital between 1914 and 1922 exceeded £2,000,000,000. This briefly gives a rough idea of the benefit, in a financial sense, which accrued to the United States during a few years of war; and when we consider how largely American securities were held here and here in mind our present huge debt, that country it is possible to vaguely realise what a complete reversal of fortunes has taken place when comparing Britain and the United States.

Foreign Investment

The enormous trade surpluses in favour of America in the boom years have further built up the wealth of this favoured country and probably will be unique in international trading history for many years. Britain has, of course, for the past few years been superseded by the States in the matter of foreign financing, 1921 and 1922 being the biggest years—the former with dollars 625,820,000 and the latter with dollars 506,992,000. So far for this year to June the amount expended under this head has been very substantially curtailed.

Britain Leading.

The foregoing figures are for foreign government loans and municipal and corporation loans, and they also include loans of American corporations doing business abroad. Britain on the other hand in the current year has been doing substantially more financing of foreign governments than her much richer competitor, which has doubtless had its effect on the set back in the foreign exchange value of sterling.

America's "Troubles"

Again, America is passing through boom conditions and the extent to which wages have risen probably astonishes many that under other conditions would be directed to overseas lending, and she has additionally had to provide for expanding imports owing to the increasing purchasing power of her

people. Economically considered, it would appear as if what we might call natural law is persistently working against the endeavour of the Americans to retain possession of their wealth to the detriment, of course, of other parts of the world. Whether the leakage makes itself evident in the financing of foreign projects, or by an increasing excess of total imports over total exports, or by some other means, it does not matter substantially in the end served; but it seems evident that it is useless trying to legislate against this tendency of economic law to level matters up as between countries through their mutuality in trade and finance—tariffs and like measures exert a temporary force against the law, but tend in the long run to dissipate the very restriction they would impose.

A Fluctuating Metal

The fluctuations in the metal tin have over the past few years been so marked as to induce the opinion that it is substantially a dangerous medium to which to entrust money for the purposes of investment—that is to many of the undertakings devoted to recovering the metal. In 1920 tin moved between 195 and 420, in 1921 between 148 and 210, and in 1922 between 139 and 190. Recently movements in the metal have ranged from 235 to about 175, and in spite of the great need for the commodity that exists throughout the world one might apparently be as accurate in prophesying a fall as a rise.

The Forward Dealer

Such speculative tendencies cannot make the forward risk-carrier's task a happy one, as the word "stability" seems to be divorced, or rather dissociated, from the metal altogether. The case of the tin-producing companies, too, must be one of successive hopes and disappointments. They might certainly be able in the course of steady production to obtain the average price ruling throughout a given period, but as mostly happens to undertakings interested in the base metals, a higher price ruling for a short time tends to give an impetus to production, and if the market happens to go against the producer the position is still further aggravated by

there being more tin about than is wanted. On the other hand, if the producer curtails higher prices may rapidly obtain.

An All-round Shortage

One thing appears certain and that is that if the entanglement of currencies and conditions inimical to the ready interchange of commodities were removed it would speedily be found out that a return to normal would expose considerable shortages of all the base metals, not excluding iron. This would mean famine prices for a time at least, and in such a case it is conceivable that the speculative metal, tin, would rise to dizzy heights, possibly to be followed by as great a fall—and thus maintain its reputation.

Tea

There are few industries which have recovered so rapidly and so maintained recovery as the tea industry; but of course the commodity is, like tobacco, a necessity to all countries able to purchase it in quantities. Labour seems somewhat of a problem; but it would seem a problem much less difficult to solve than the factor of the accrued war stock and dwindled consumption such as have made the recoveries of rubber and, in a lesser degree, nitrate so difficult. The introduction of finer plucking and a normally high standard in respect of the selling article have induced a reward for the early days of denying the immediate profit; and it has been the policy of keeping production well below the normal that has brought about an essentially economic state of affairs, which suggests the best companies as worth considering for the purposes of investment. As higher prices rule for the commodity, presuming, for example, that the Russian consumption increases appreciably in the early future, there may be a tendency to lower the standard of the produced article, by coarser plucking, which would seem a pity; as having won a high standard, the industry should benefit more by maintaining that standard, at perhaps some foregoing of better profits, than by lowering the standard in order to keep up with what may prove to be a fluctuating demand.

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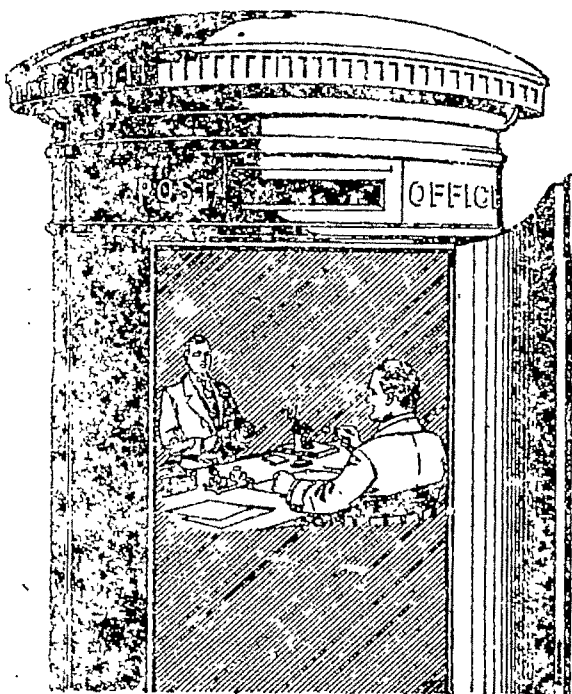
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